

Governor's
Budget
Summary

Pete Wilson
Governor
State of California



1995-96

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GOVERNOR'S BUDGET SUMMARY

submitted by
Pete Wilson, Governor
State of California
to the
California Legislature
1995-96 Regular Session



1995-96



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PETE WILSON
GOVERNOR

State of California
GOVERNOR'S OFFICE



January 10, 1995

To the Senate and the Assembly of the California Legislature:

I submit for your consideration the Governor's Budget for 1995-96.

The budget reflects the priorities that the people of California enunciated in last year's historic election. It takes further steps to enhance and expand our state's economy. It provides the resources necessary to protect public safety. It emphasizes greater personal responsibility and self-sufficiency, and it demands smart, fair, and more economical government from both Sacramento and Washington, D.C.

Over the past four years, California has weathered some of the most difficult times in our state's history, having been forced to confront recession, fiscal crises, and an unprecedented string of disasters. But Californians have characteristically persevered -- we have overcome our challenges, begun an economic recovery, and have poised the State for yet another era of greatness.

I am proud of the work we have done together to improve the state's job climate, to protect Californians from crime and violence, and to promote self-sufficiency and greater opportunity for all of our citizens. But if this recovery is to continue, and if California is to achieve greatness once again, we must reject complacency and continue to build upon our accomplishments.

Working together, I am convinced that we can make the further change that is necessary to build a bright future for all of our people -- to build the New California.

Sincerely,

A handwritten signature in blue ink that reads "Pete Wilson".

PETE WILSON



STATE OF CALIFORNIA

DEPARTMENT OF FINANCE

OFFICE OF THE DIRECTOR
STATE CAPITOL, ROOM 1145
SACRAMENTO, CA 95814-4998



January 10, 1995

Dear Governor:

As Director of Finance, I submit to you the 1995-96 Governor's Budget.

This first budget of your second term continues to reflect the funding priority you have placed upon educating our state's future workforce. It also reflects your conviction that an agenda of prevention will lead to a healthier and more productive society.

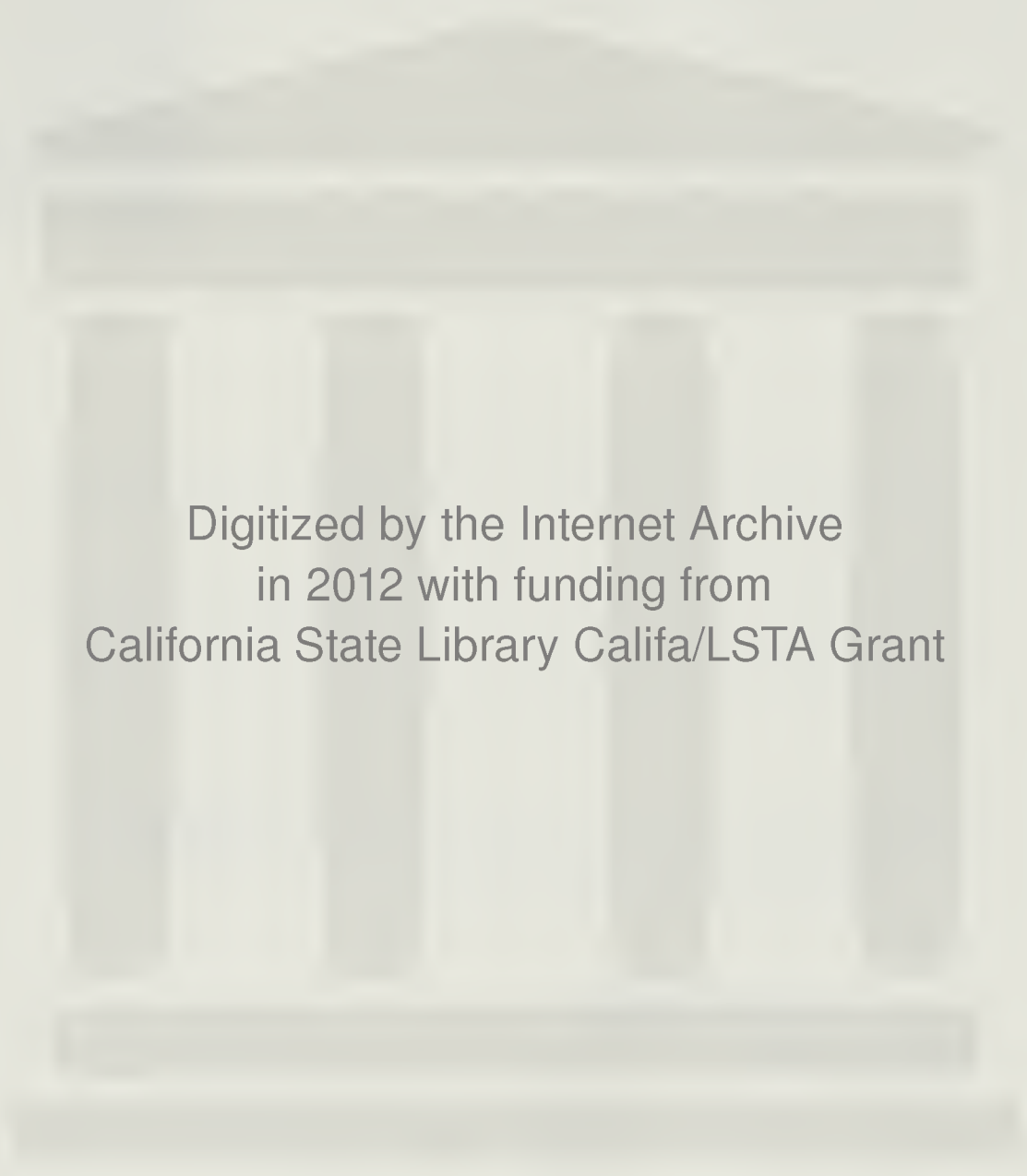
The budget also builds upon the accomplishments that you and the Legislature have made in your first term to ensure that California's economy will recover and grow. By continuing to control state spending, by embodying further tax and regulatory reforms to improve the state's job climate, and by insisting upon government reform at the state and federal level, the budget makes the choices necessary for California to regain its position as the premier state in the nation.

Once again, the development of this budget could not have been accomplished without the dedicated work of the staff of the Department of Finance. Their diligence and professionalism continues to provide you and the Legislature with outstanding service, and I wish to thank each of them for their efforts and hard work.

Sincerely,

A handwritten signature in blue ink that reads "Russell S. Gould".

RUSSELL S. GOULD
Director



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BUILDING
THE NEW
CALIFORNIA

James

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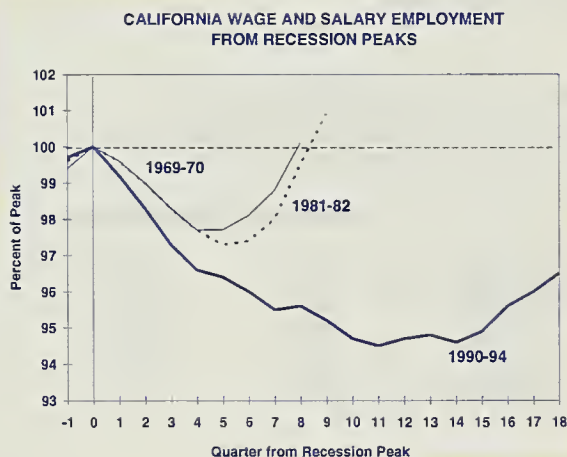
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Budget Overview

LESSONS LEARNED

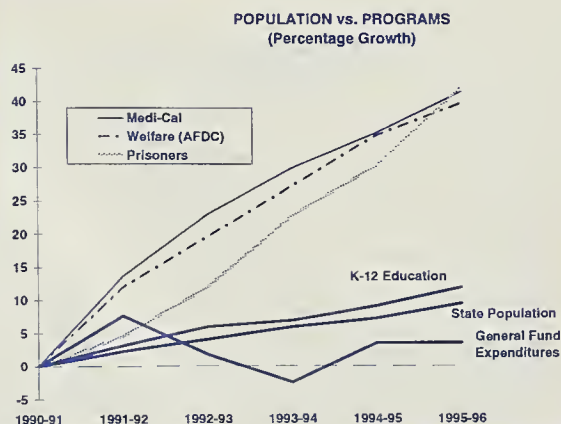
As California approaches the mid-point of the 1990s, it is an appropriate point to assess where we have been in this decade, and which direction the state should take as it heads toward the 21st Century.

California began 1990 in a comfortable position. The growth in the State's economy in the last half of the 1980s appeared to be limitless. Fueled by a strong national and international economy, by high levels of federal defense spending, and by low unemployment rates, California state government had grown accustomed to consistent and healthy revenue growth.



But in retrospect, the underpinnings of this economic growth were not stable. The perils of relying upon defense spending became apparent as the Cold War began its decline. And the boom years of the 1980s masked ominous trends in the state's social fabric. As the state's population grew by 23 percent in the 1980s, welfare caseload grew by 39 percent. Births to unmarried women increased by 52 percent in the 1980s. These and other trends caused spending on social welfare and entitlement programs to rise dramatically.

These forces began to converge in mid-1990, with the beginning of California's deepest recession in a half-century (See chart—*California Wage and Salary Employment from Recession Peaks*). Over a 34-month period, California lost more than 700,000 jobs, nearly three-fourths of which were tied to federal cutbacks in the defense and aerospace industries. As state revenues dropped precipitously from business and job losses, caseloads for entitlement programs continued to grow, outpacing both the state's population growth and the resources to pay for those programs (See chart—*Population vs. Programs*).



Compounding these economic and fiscal problems was an unprecedented string of disasters—drought, civil unrest, wildfires, and earthquakes—which tested the strength and determination of Californians.

The cumulative effect of these crises forced a fundamental review of state spending — a process that led to a clearer understanding of the impact of growing entitlement programs on the state budget. Policymakers were confronted with choices that would have seemed unthinkable just several years earlier.

But during this period of unprecedented challenge, Governor Wilson focused his efforts on the fundamental areas where state government must and should focus its resources—providing adequate educational resources for California’s children, maintaining public safety for California communities, and investing in preventive programs aimed at making California’s next generation safer, healthier, and more productive. And realizing that defense spending could no longer be relied upon as an engine to perpetuate economic growth, Governor Wilson, along with legislative and business leaders, concluded that the best way to recover from the recession—and build California’s economy for the long term—was to fundamentally reform the state’s business climate to make it more attractive for job creators and investors.

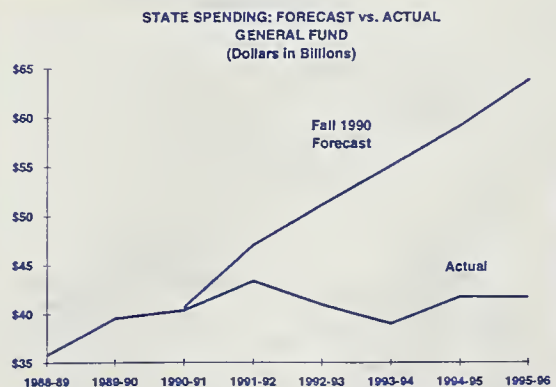
This re-examination of California’s spending priorities, and the decisions that resulted from it, laid the foundation for California to recover from the recession:

- ❑ **California state government has learned to live within its means.** (See Table—General Fund Revenues and Expenditures) Because of the tough but necessary budget reductions, state General Fund spending has been at or below General Fund revenues in each of the past three years. In fact for 1995-96 the State will be spending over \$22 billion less than the Commission on State Finance projected in 1990. (See chart—State Spending Forecast vs. Actual General Fund)
- ❑ **California has made the investment in its next generation its top priority.** Despite harsh economic times, total spending on primary and secondary education has increased by over \$5 billion since 1991, and the state is increasing funding for the Governor’s preventive agenda.
- ❑ **California has insisted upon—and invested in—public safety.** Californians have amended the Constitution to make public safety the first priority of local government, and have voted to approve some of the toughest laws against criminals, including the first “three strikes and you’re out” law in the nation.

The best way to recover from the recession—and to fundamentally reform the state's business climate

GENERAL FUND REVENUES AND EXPENDITURES (DOLLARS IN BILLIONS)

	<u>Revenues</u>	<u>Expenditures</u>
1991-92	\$42.0	\$43.3
1992-93	\$40.9	\$40.9
1993-94	\$40.1	\$39.0
1994-95	\$42.4	\$41.7
1995-96	\$42.5	\$41.7



“While this long-awaited economic recovery is very much welcome, our recent trials have demonstrated that California cannot afford to be complacent.”

❑ **California has begun to control the growth in runaway entitlement costs.** During the Governor’s first term, taxpayers have saved over \$6.5 billion in costs because of welfare reform.

❑ **California has begun fundamental reform of the state’s economy.** Because of the decisive actions taken by the Governor and the Legislature to improve the climate for job creation, California’s economic foundation is no longer overly reliant upon federal defense dollars, but is built on the one thing that can be counted on—the entrepreneurial spirit and determination of its citizens.

As a result, California has weathered the storm, showing the resolve and resiliency that has been its hallmark when faced with challenge. As 1995 begins, California’s economy is in the midst of sustained recovery, a consensus opinion shared by the state’s most respected bank, university, and private economists.

Having endured the devastating job losses caused by defense cuts, California is now seeing job growth, including a substantial share of quality, high-wage jobs. New construction is on the rebound. Home sales are on the rise. And the confidence of California consumers, in the state’s economy as well as their own, can be seen in the strong increase in retail sales throughout the state.

BUILDING THE NEW CALIFORNIA

While this long-awaited economic recovery is certainly welcome, our recent trials have demonstrated that California cannot afford to be complacent. As

California’s job picture is improving, the competition for keeping and creating jobs between the states is as fierce as ever. While the state’s revenue picture has improved, the state’s population growth and the demand for services continue to grow as well. How and where we invest the people’s resources is crucial to the kind of economy and society that will define California in the 21st Century.

“But the challenge facing policymakers today is setting the priorities and making the choices that will ensure that this economic recovery is sustained.”

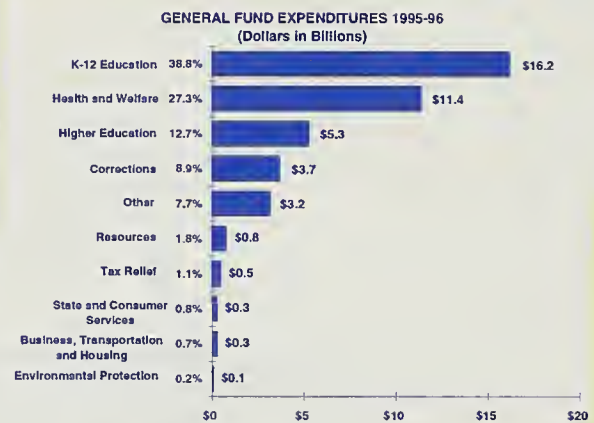
As Governor Wilson said in his first inaugural address, “we will not suffer the future; we will shape it ... we will not passively experience change; we will make change.” And during four arduous years, the Governor and the Legislature have made the changes that have helped place California’s economy in recovery and poised it for greatness once again. But the challenge facing policymakers today is setting the priorities and making the choices that will ensure that this economic recovery is sustained,

and that all Californians can benefit from more jobs, less government, safer communities, and greater opportunity.

GOVERNOR'S 1995-96 BUDGET

The Governor's Budget for 1995-96 is a blueprint for the choices that are necessary to ensure a growing economy, safe communities, personal responsibility, and unparalleled opportunity.

- ❑ **Holding the Line on State Spending.** For the fourth year in a row, the Governor's Budget keeps California living within its means: General Fund expenditures are below General Fund revenues.
- ❑ **Improving California's Competitive Position.** The Governor and the Legislature have made progress in making California a more attractive climate for job creators, by approving such measures as workers' compensation reform, reducing capital gains taxes for small business investment, and exempting the purchase of manufacturing equipment from sales tax. The Governor's Budget builds on these accomplishments by proposing further change to give California a greater competitive edge.



Tax Reform—The fact that California state taxes are among the highest in the nation keeps California at a competitive disadvantage among states that are vying to attract new businesses or lure businesses and jobs out of California.

To raise personal incomes and spur the creation of new jobs, the Governor's budget proposes a 15-percent reduction in personal income and corporate tax rates over a three-year period.

Government Reform—As California businesses have reduced costs, reorganized staff, and put a premium on service delivery to stay competitive, so too must California state government. The Governor's Budget proposes reductions, reorganizations, consolidations and privatizations to provide its customers—California's taxpayers—with improved service at lower cost.

Regulatory Reform—Regulation, permit requirements, and excessive litigation continue to be impediments to improving California's business climate. Building on the recent accomplishments of cutting through red tape, the Governor's Budget proposes further regulatory reforms at the local, state and federal levels.

- ❑ **Promoting Personal Responsibility.** The level of social welfare benefits provided to millions of California's citizens are among the most generous in the nation. Of the ten most populous states, California now ranks first in both welfare and supplemental security income payments. But in spite of

the best intentions, the structure of these programs too often results in failure to achieve their original goals, and in many cases fosters a cycle of dependency.

In response, the Governor's Budget continues to build on the reforms that have been made in social welfare programs, providing greater emphasis on moving from dependency to self-sufficiency, ensuring that resources are available for the truly needy, containing costs, and emphasizing the need for personal responsibility in individual and family lives.

- **Protecting the Public from Crime and Violence.** Freedom from the fear of crime is not only a fundamental right of every Californian; it is the basis of a civilized society and a necessity for California communities to attract and retain jobs.

In 1994, at the ballot box and through their representatives in the Legislature, Californians committed themselves to applying some of the strongest punishments in the nation to those who commit crime. The Governor's Budget upholds that commitment, by providing additional resources to apprehend and incarcerate dangerous criminals.

- **Maintaining our Priority to K-12 Education.** For California to be competitive in the 21st century, a well-educated workforce is a necessity. The investment in that workforce must begin today, through quality education in California's elementary and secondary schools.

In addition to the financial commitments that make education the top priority in the budget, the Governor will propose several legislative initiatives to reform the state's education code, increase parental involvement, establish quality standards of excellence, and increase the quality of instruction.

- **A Commitment to Our World-Class Higher Education System.** The budget recognizes the importance of our higher education system as an essential ingredient of California's long-term competitiveness. It includes a four-year compact with the University of California and the California State University to provide budgetary stability, increased enrollment and higher productivity. The budget also provides increased financial support for California's community colleges. As an integral part of our Higher Education system, increases in financial aid are also provided to insure increased opportunities for California students.

- **Forging a New Relationship with Washington —** As Californians expressed their demand for change in last November's election, so too did voters across the country, creating the most dramatic realignment of Congress in four decades. The result is a new congressional majority that is committed to working with Governor Wilson and achieving fundamental reform of Washington's relationship with the states.

The Governor's Budget intends to take advantage of this opportunity, by proposing measures that will give California greater flexibility and opportunity to administer programs that are now governed by federal regulation.

- **State and Local Government — A Partnership For Results.** Just as the state and federal relationship is poised for change, the relationship between Sacramento and local governments in California must change as well. The Governor's Budget proposes to realign a number of programs to provide local governments with greater flexibility and responsibility.

By providing essential services more efficiently, by promoting outcomes instead of bureaucracies, and by returning decision-making and responsibility to communities, state government can become a partner—instead of an anchor—to the people of California. By providing tax relief and cutting red tape, the entrepreneurial spirit of Californians can be freed to reach its potential, and build the new California.

The Competitive Reality

Lessons From the Recession. California is now recovering from its deepest recession in more than 50 years. Over 700,000 non farm wage and salary jobs were lost between May 1990 and March 1993, as measured by the Department of Finance's Interim benchmark employment series which is based on payroll tax records and employer surveys. The separate civilian employment series, based on a survey of households, shows a similar loss of over 650,000 persons employed from June 1990 to August 1993. All measures of California's job growth are now solidly on the rise.

Other economic indicators paint a similar picture. Taxable sales dropped more than 4 percent in 1991, the largest annual decline since the late 1930s, and sales in 1992 and 1993 were essentially flat. Last year, recovery brought taxable sales gains in the area of 5 percent.

The sharp decline in construction activity—new home construction fell by nearly two-thirds between 1989 and 1993, while the dollar volume of non-residential building was slashed by half—was a major contributor to the drop in taxable sales. Building materials and home and office furnishings are major elements in the performance of taxable sales. The construction slump was also reflected in a 30-percent drop in construction industry employment, together with large declines in related manufacturing industries including stone-clay-glass, lumber and wood products, fabricated metals and furniture. Fortunately, construction, along with most other segments of California's economy, is now on the rise, bringing with it gains in construction and related manufacturing jobs.

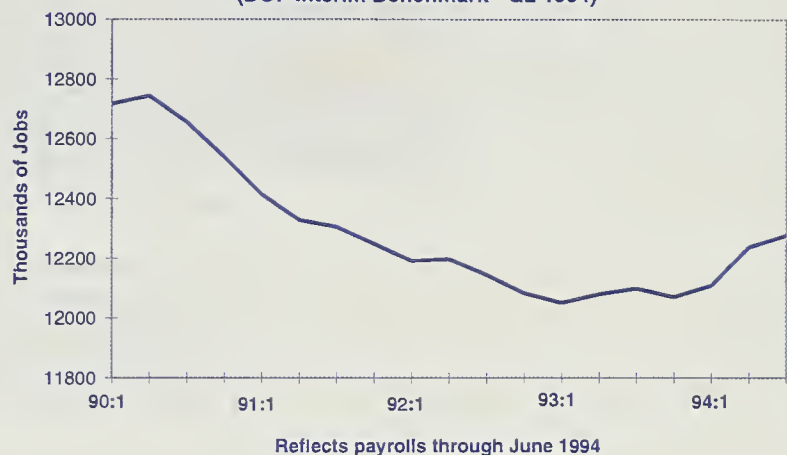
One vital sector of California's economy which is not recovering, however, is the aerospace and defense complex. Aerospace employment, which peaked at 378,000 at the beginning of 1988, ended 1994 with scarcely 180,000 jobs, a drop of 52 percent. Federal Department of Defense employment totaled 138,000 in early 1988, but fell below the 100,000 mark in November 1994, a decline of 28 percent. In addition to civilian Department of Defense job losses, another 50,000 military personnel—more than 20 percent—have been cut in the State over the last five years.

Because aerospace and defense are basic or export industries—the vast majority of sales and funding support are attributable to out-of-state sources—there are significant secondary or “multiplier” effects of these drastic cuts. Multipliers for various defense and aerospace activities range from 1.8 (for military personnel) to 2.4 (for aerospace manufacturing), meaning that each job in this sector supports an additional 0.8 to 1.4 workers elsewhere in the State’s economy. Using a very conservative average multiplier of 2, a further loss of 285,000 jobs has resulted from the cuts in defense and aerospace employment. Excluding military personnel, more than 520,000 direct and indirect job losses attributable to defense and aerospace equal nearly three-quarters of the 700,000 decline in nonfarm employment during the recession.

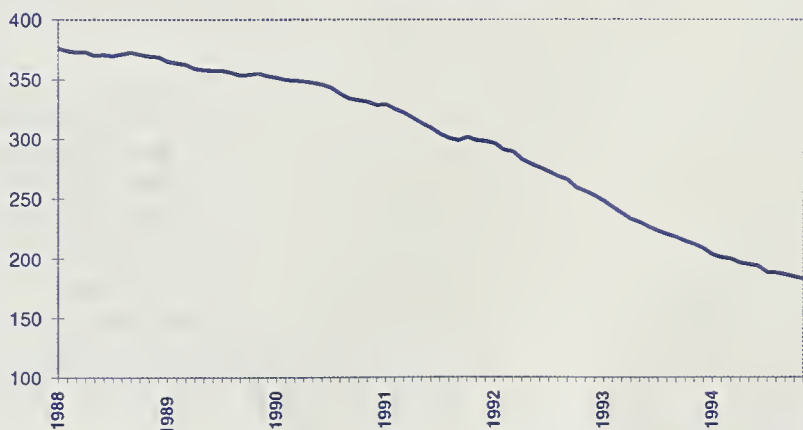
Unfortunately, the end is not yet in sight. Current federal budget figures project the deepest defense cuts for 1997 and 1998. The UCLA Business Forecasting Project sees aerospace employment averaging 128,000 by 1998, more than 50,000 fewer than the year-end 1994 level. Already scheduled military base closures will result in another 15,000 to 20,000 civilian Department of Defense job losses by 1997, accompanied by a similar reduction in military personnel stationed in California. Moreover, a fourth round of base closures, dubbed by one California Congressman as “the mother of all base closures”, is scheduled to be announced in 1995. Since California still has 67 of the remaining 415 military facilities in the nation, a proportional share might include another 11 closings in this final round. Past experience, however, suggests a far worse outcome for the State: in the first three rounds of base closures, California accounted for nearly 70 percent of the net job losses nationwide.

Federal Budget Policy. The Clinton Administration’s deficit reduction plan, as adopted in the 1993 Omnibus Budget Reconciliation Act (OBRA) relied es-

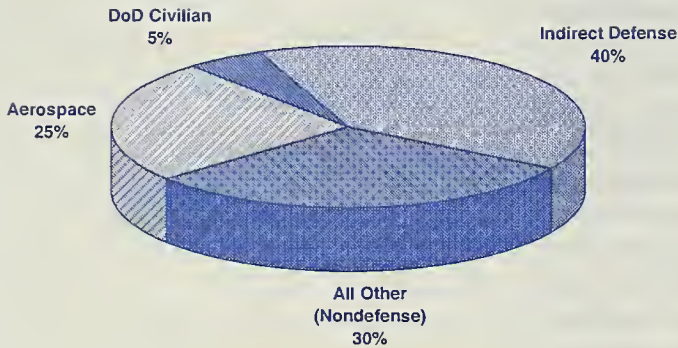
CALIFORNIA NONFARM EMPLOYMENT
(DOF Interim Benchmark - Q2 1994)



CALIFORNIA AEROSPACE EMPLOYMENT (1988 to 1994)



SOURCE OF JOB LOSS



essentially on two basic elements: massive cuts in defense spending (an additional \$113 billion over five years compared to the final Bush Administration proposal) and tax increases mainly for upper-income individuals and corporations. The effects of defense cuts are painfully clear in California. While details of future cuts have not been announced, it is clear given base closures and aerospace job losses that California is bearing a disproportionate share of the defense cuts. The State accounts for an estimated 23 percent of defense spending in the nation (exact figures are not available because some major programs are classified) but is probably bearing at least one-third of the spending cuts. Recently announced changes

in the longer term defense budget are unlikely to alter this result for California. The enhanced military readiness proposals may in part be funded by cuts in California-based defense systems purchases, and in any case, most of the readiness spending is contemplated after the turn of the century.

Given California's income distribution, the State is also bearing a disproportionate share of individual tax increases. With just over 12 percent of the nation's population, Californians are paying 16 percent of the individual income and Medicare payroll tax increases.

All told, assuming the State sustains one-third of the defense cuts, the 12.1 percent of the nation's population who live in California are bearing almost \$80 billion or 18.5 percent of the cost of federal deficit reduction (excluding interest).

The Competitive Setting. Against this background of severe federal cuts in one of the State's leading export industries, California's recovery over the past year and a half is all the more remarkable. But the prospect of continuing reductions in defense outlays underscores the need for California to look elsewhere for future economic growth. Opportunities abound in such California specialties as electronics, biotechnology and high-technology services including computer software and design, motion pictures, entertainment and the emerging multi-media technology, engineering and scientific research, to name a few. However, in each of these endeavors, California faces stiff competition from both foreign and domestic sources.

There is one striking similarity among these established and emerging high-technology industries and services: they do

not have to be in California. They do not rely on our ports, and they do not require our natural resources. They locate in California by choice, not necessity. The business climate in which they operate therefore is crucial to retaining the existing base and fostering future growth. In other words, improving California's business climate is a key element in determining the State's future economic success.

Over the years, a number of factors have combined to make California less competitive in the national and global economic marketplace for new jobs and business. Increasingly, the State has seen many of its successful "home grown" industries place much of their expansion elsewhere, while others have moved existing California operations to lower cost areas, usually in the neighboring FarWest region. Indeed, part of the decline in aerospace has resulted from the removal of California jobs to other states. Among many elements cited by business, regulation, the state's legal system (civil tort) and taxes contribute to a business climate which is often less favorable in California than in many other areas of the nation. Clearly, with the defense industry on the wane, the time has long since passed that California can afford to ignore these competitive signals from the marketplace.

Initial steps have already been taken by the Wilson Administration and the Legislature to help foster a more favorable business climate. These include major reforms to California's workers' compensation system, efforts to streamline and cut government regulation, especially in the environmental and permitting process, and an important measure to relieve the direct taxation of investment in manufacturing equipment. More needs to be done.

Taxes and Competition. By many measures, California is a high tax state. For example, California ranks fourth, behind only Alaska, Michigan and Delaware, in corporation income taxes as a percent of personal income. Of the three higher-tax states, two—Alaska, with its resource-based economy and Delaware, the state of registry for most of the nation's large corporations—must be considered special cases. Thus, only one among the industrial states taxes its corporations more than California. Among western states with which California closely competes for jobs, four—Texas, Nevada, Washington and Wyoming—have no corporate profits tax. In most other western states the corporate burden is less than half of California's. Only Montana and Idaho are even close, and the corporate burden in those two states is more than one-third lower than in California.

In the case of the personal income tax, only two states, Montana and Massachusetts, have marginal tax rates as high or higher than California's 11 percent maximum rate. Among the western states, five including Texas, Nevada and Washington, have no personal income tax. Arizona's personal income

tax burden is a quarter less than California's. Oregon does have the highest personal tax burden in the nation, but our northern neighbor has no sales tax.

These high personal and corporate tax rates are an impediment in California's competitive efforts to attract new business and retain existing industry. The corporate tax rate bears directly on the cost of capital in its most scarce and expensive form, shareholders' equity. The fact is that returns to investments in California are taxed at a higher effective rate than in all but one other major state. Nowhere is competition keener or freer than in the global capital markets in which California businesses must compete every day. In a competitive world, the case for reducing the corporate tax rate cannot be overstated.

Likewise, the high marginal personal rate reduces the returns to risk-taking and entrepreneurship, talent and hard work, all hallmarks of California's major export industries, especially in the high technology and entertainment fields.

In recent years, California has enacted several changes in the tax code which are helping to make the State more competitive. These include carryover of operating losses, a sales tax exemption or credit for the purchase of manufacturing equipment, a capital gains tax reduction for investments in small business, and the option to select either unitary or water's-edge taxation for multi-national corporations.

While these measures represent encouraging first steps, California's high marginal tax rates stand out as a major obstacle to making the State more competitive in attracting new businesses and encouraging the expansion of existing firms. The emerging economic recovery provides the necessary conditions to move boldly in the area of taxation, one of several elements which will determine California's success in the increasingly competitive national and world economies.

Improving California's Job Climate

THE TAX BURDEN

In his January 1994 State of the State Address, the Governor requested that his Council of Economic Advisers (GCEA) determine how the tax burden might be changed to most effectively spur additional job creation. A task force of Council members presented their report in 1994, and this budget includes proposals that capture the spirit of the recommendations.

The GCEA report found that revenue shortfalls in recent years were primarily due to two factors. First, the recent recession was concentrated heavily in defense- and aerospace-related industries, and was accompanied by a sharp drop in housing construction and real estate values. The uncertainty surrounding job security and the loss of wealth greatly curtailed spending on big-ticket items subject to the sales tax. Corporate profits were also greatly reduced.

Second, California's tax rates have reached a range where they function as a disincentive for businesses to invest in California. The task force concluded that the substantial actions taken by the Governor and the Legislature to improve the business climate through regulatory and legal reform, workers' compensation reform, and reforms in government programs had greatly improved California's competitiveness; however, more needed to be done.

Specifically, the task force recommended that the personal income tax rates and the bank & corporation tax rates be reduced over three years by 5 percent per year beginning October 1, 1995. The recommendations assume an extension of the 10 and 11 percent personal income tax brackets, and a continuation of the indexing of personal income tax brackets before the application of the rate reduction.

The Governor's Budget proposes to adopt the recommendations of the task force, with a slight modification of the starting date to January 1, 1996. The slight delay provides for a more efficient administration of the tax reduction (this three-month delay avoids problems associated with applying two tax rates during one calendar year) and is fiscally prudent.

State taxes per \$100 of personal income have declined for the last three years and are forecast at \$6.86 for 1995-96, which is the lowest tax burden since 1982-83. The Governor's proposal will continue this favorable trend. When

fully implemented, the proposal will be responsible for taxpayers saving over \$3.6 billion per year in state taxes. By the end of 1998-99, taxpayers will have saved a total of \$7.6 billion in state taxes. This reduction in tax rates will make California more competitive in the world market. Also, the lower rates will improve the allocation of resources by reducing the incentive for taxpayers to move activities from taxed to untaxed forms of investment or even shift such investment outside of California.

THE FISCAL IMPACT

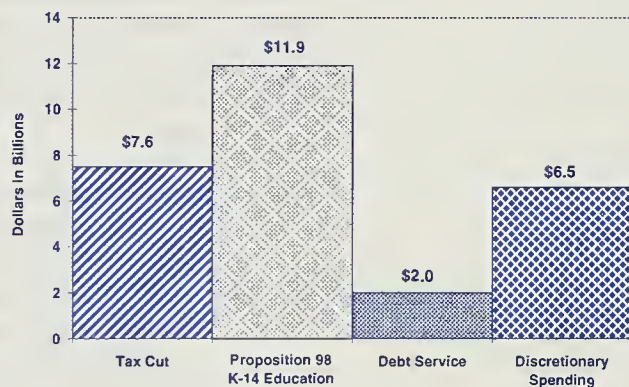
The Governor's proposal in the context of the budget plan differs somewhat from the task force report for three main reasons:

- Different starting dates; the Governor's implementation of tax reductions starts on January 1, 1996 to coincide with the start of the calendar year, while the task force assumed an October 1, 1995 effective date.
- Use of different methodologies in forecasting revenues; the Governor's plan forecasts the proceeds of each type of tax separately, rather than applying the estimated rate of personal income growth to all taxes.
- Differences in the economic assumptions; the Governor's forecast was prepared by the Department of Finance based on more recent data and a different time period for the forecast.

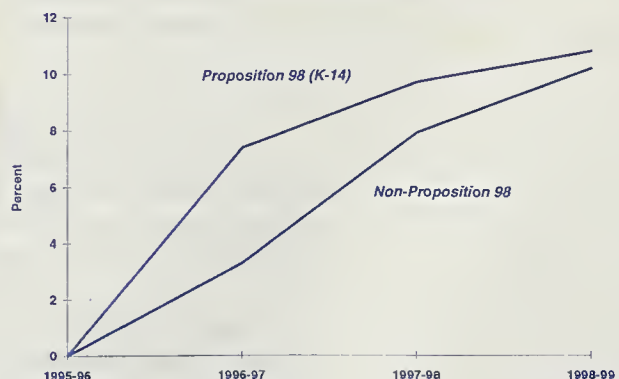
The *Allocation of \$28 Billion Increased General Fund Resources* chart illustrates the allocation of the resources available projected for 1995-96 through 1998-99 under the current economic forecast. Of the \$28 billion total, about \$11.9 billion would be dedicated to fully fund K-14 education under Prop. 98 guarantees. Debt service would account for another \$2.0 billion, with \$6.5 billion available for discretionary spending. Approximately 27 percent of the five-year total (\$7.6 billion) would be returned to taxpayers via tax rate reductions.

As illustrated in the *Future Investments* chart, based on the Governor's Budget proposed for 1995-96, the tax reduction plan will continue to provide for General Fund growth in priority areas in subsequent years.

ALLOCATION OF \$28 BILLION INCREASED
GENERAL FUND RESOURCES
1995-96 THROUGH 1998-99
(Dollars in Billions)



FUTURE INVESTMENTS
(Percent of General Fund Growth)



EXAMPLES OF THE IMPACT OF THE PERSONAL INCOME TAX REDUCTIONS FOR THE 1998 INCOME YEAR

Taxable Income	Single Individual	Married Couple with Two Children
\$20,000	-62	No Tax
\$40,000	-285	-102
\$60,000	-564	-291
\$80,000	-843	-548
\$100,000	-1,122	-827

Note: These examples are illustrative only and the actual savings will vary depending on the specific circumstances of the taxpayer.

When fully implemented, every individual income and business income taxpayer will experience a tax reduction. The adjacent table illustrates these reductions.

This top-down budget strategy will require continued restraint to be made in program areas under pressure for spending increases. However, the longer-term benefits of tax reduction include, among other things: increases in discretionary income, enhanced rewards for entrepreneurial efforts, and increased returns on business investments. These benefits will lead to a more productive, competitive California.

Reforming the New California

Economic Development and Regulatory Reform

A COMMITMENT TO REBUILD AND RESTORE THE BUSINESS CLIMATE

The California economy began to turn the corner in 1993, emerging from the depths of the worst recession since the Great Depression. Battered by four years of federal defense cuts, natural disasters, and a global recession which hit the State's exporters particularly hard, California is now creating jobs, not losing them.

A key element of this economic renaissance was Governor Wilson's 1993 effort to reform the State's costly, red-tape laden business climate. Jobs being created now are directly tied to a package of pro-business and jobs-creating bills the Governor signed into law, including the most sweeping tax reform since the passage of Proposition 13, reform of the State's costly and fraud-ridden Workers' Compensation system which saved employers an estimated \$1.5 billion in 1994, and streamlining of the State's permitting process.

1994 was a continuation of Governor Wilson's pledge to rebuild the state's economy "job by job by job." The Governor continued and enhanced two cornerstone programs of his "California Comeback" agenda—Red Teams and "Team California."

Red Teams consist of decisionmakers ranging from Governor Wilson to local community and business leaders. These action-oriented Teams plow through the bureaucracy, fix business problems, and save and create jobs. In 1994, Red Teams were responsible for saving 18,000 jobs and creating 21,000 new jobs in the State.

Team California is a statewide alliance of economic development organizations. Buttressed by a \$12 million, non-taxpayer funded advertising campaign, trade show participation and countless job retention missions, Team California has had a major impact in changing perceptions about California's business climate, and helping spread the word that the future is bright for jobs-creating business and investment.

Job creation efforts do not stop at the State's borders or the Pacific Ocean. In 1993, California led the nation with 77 new expansions by foreign companies.

By championing the passage of the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA), Governor Wilson has led the state into a new era of foreign trade and investment. Californians are selling more products abroad than any other state. In the first three-quarters of 1994, exports increased by 15.6 percent over 1993. The increase from \$51 billion to \$59 billion created an estimated 151,829 new jobs in California. California continues to lead the nation in the amount of foreign direct investment, with more than \$80 billion invested in property, plants and equipment in the Golden State. That investment is responsible for the employment of more than half a million Californians. California now accounts for more than 12 percent of all the foreign investment in the U.S.

“California now accounts for more than 12 percent of all the foreign investment in the U.S.”

RED TAPE REFORM

The State’s cumbersome permitting process is still cited as a major problem for businesses which wish to expand in California. The Administration will seek reforms in both the California Environmental Quality Act and in state environmental regulatory processes.

CEQA REFORM

The Administration sought legislative reform of the California Environmental Quality Act (CEQA) in 1993, and achieved some initial progress in establishing a master environmental impact report and streamlining some timelines. The Administration will continue this effort in 1995. The CEQA was enacted more than 20 years ago to require public agencies to evaluate the environmental impacts of projects they undertake directly. In 1972, the State Supreme Court expanded the scope of CEQA to include all private development projects that require discretionary approval by a governmental agency.

Two state agencies are responsible for CEQA administration and oversight. The Governor’s Office of Planning and Research (OPR) is responsible for periodically reviewing and recommending changes to the State CEQA guidelines. The Resources Agency is responsible for rulemaking, certification, and adoption of the State CEQA guidelines, which are the official interpretations of CEQA. The Resources Agency is currently working on a comprehensive revision of the State CEQA guidelines, which have not been overhauled since 1984.

There are six objectives of CEQA:

1. To disclose to decision makers and the public the significant environmental effects of proposed activities;
2. To identify ways to avoid or reduce environmental damage;

3. To prevent environmental damage by requiring implementation of feasible alternatives or mitigation measures;
4. To disclose to the public reasons for approving projects with environmental impacts;
5. To foster interagency coordination in the review of projects; and
6. To enhance public participation in the planning process.

California is one of 20 states that have environmental impact assessment laws modeled after the federal National Environmental Policy Act (NEPA), but one of only three Western states with such a law.

These reforms will restore the balance between assessing legitimate environmental impacts with economic growth.

There are many problems surrounding the implementation and interpretation of CEQA. CEQA has been expanded both through changes in the statute and through the courts. It has strayed from the original six objectives, evolving into a costly, time consuming bureaucratic maze that is often used to stall projects—not to protect the environment. A CEQA lawsuit has for some time been the preferred way to keep a project from moving forward.

The goal of the Administration's reform efforts is to return CEQA to its original intent, and ensure that businesses are not at a huge competitive disadvantage with other states, especially those that do not have an equivalent state law. These reforms will restore the balance between assessing legitimate environmental impacts with economic growth.

The Administration will propose reforms to CEQA to streamline the process and reduce frivolous litigation. The proposals will recognize that when CEQA came into existence, there were few environmental laws and fewer regulatory bodies. Now, some 20 years later, there exists a maze of specialized state regulatory agencies to review, consider, and regulate air, water, waste, and other environmental impacts of new development projects, as well as expansions of existing developments, plants, and industries. The legislation will eliminate duplicative consideration by separate federal, state, and local agencies of the same environmental issues. The reforms will also limit mitigation measures to the direct impacts of projects so that mitigation is not required to alleviate the indirect effects of conditions or previous impacts.

STATE PERMIT REFORM

Significant progress has been made to reform California's overly cumbersome permitting process by removing overlap between regulatory requirements for hazardous waste, hazardous materials, solid waste, and water quality. An aggressive agenda to improve environmental protection, while further simplifying permitting requirements for business is proposed:

- ❑ **Regulatory Tax Limits.** The greatest, unchecked growth in government-imposed spending is from the off Budget compliance costs imposed by State regulations on local governments, the private sector, and consumers. The State must have the flexibility to respond to new regulatory needs, but the total cost to California from all regulation must be capped and reduced over time. The Wilson Administration will introduce a Constitutional Amendment to: (1) require a 2/3 vote of the Legislature to approve any new legislation imposing new compliance costs, but (2) allow such new legislation to pass on a simple majority vote if the bill also includes a repeal of existing regulatory programs of greater or equal compliance cost.
- ❑ **One-Stop Permit Assistance Centers.** As led by California Environmental Protection Agency (CalEPA), the state has established 8 regional Permit Assistance Centers staffed by all state, regional, and local permitting agencies within the respective counties. Working with the appropriate state and local agencies, CalEPA will continue to expand these one-stop permit services to be available to other local permit simplification programs throughout California.
- ❑ **Permit Relief Zones.** Considerable legislative and administrative efforts have been taken in recent years to move environmental permitting more to simple registration processes. Other efforts have moved California's complex, multi-agency permitting system more to coordinated reviews and approvals. Building on these first steps, this pilot program will collapse all environmental permit requirements into a single compliance assurance plan for facilities locating or expanding in specified areas of the State. Agency resources will thereby be shifted from up front permit reviews, to inspections and compliance activities.
- ❑ **Environmental Auditing.** One of the most effective ways to protect our environment is to encourage business to voluntarily identify and correct problems and potential problems that could lead to pollution. One obstacle to self-appraisal by business is the concern that information generated through a self-audit will become the basis of enforcement actions by state or local agencies. The Administration will submit legislation to clarify this legal situation, encouraging audits which will hasten compliance and cleanup.

REMAKING THE ENDANGERED SPECIES ACT

The "Resourceful California" agenda, established in 1991, contained a pilot application of Natural Communities Conservation Planning (NCCP). NCCP is an alternative to the rigid, top-down regulatory approach of the federal Endangered Species Act (ESA). Nearing completion in key parts of southern California, NCCP has shifted the focus from single-species crisis management to preventive ecosystem planning; from arbitrary wildlife agency regulations to locally based planning that incorporates sound science; and from little or no economic considerations being included in decisions to economic needs being a central part of the effort. In an unprecedented fashion, the effort re-

sulted in the federal government's delegation of its endangered species listing authority to the State.

Given the initial success of the NCCP pilot approach, the Administration has sought to broaden its approach to ESA reform. The Governor has testified before Congress on ESA reform and led efforts that have succeeded in getting both the National Governors' Association and the Western Governors' Association to adopt far-reaching resolutions for reform of the federal act. During the 1994 legislative session, the Administration sponsored a bill to achieve many of these reforms at the State level.

These efforts will continue as the Administration has demonstrated that the NCCP approach is far preferable to the status quo and that the ESA should be returned with some important modifications, to the purpose for which it was originally intended—a reasonable safety net for species on the brink of extinction when all other avenues have been exhausted.

The Administration will seek to put in place at the State level through both legislative and administrative actions, the reforms advocated at the National Governor's Association for the federal law. These seek to implement the major themes the Governor has repeatedly set forth:

1. Emphasize multiple species and natural community conservation planning;
2. Make the law "accountable and reflective of economic needs" with processes for public participation and peer reviewed science; and
3. Consolidate state and federal activities.

Additionally, federal delegation of ESA authority to states that meet specified standards will be sought.

REGULATION REVIEW

Legislation over the past three years has raised the amount of economic impact information required as part of new regulatory proposals. State agencies must now consider the impacts on all business, and not just small business as previously required. The CalEPA agencies must also address such factors as proposed differences with federal regulations, impacts on the State's competitiveness, less costly alternatives, and comments submitted by Trade and Commerce Agency on the CalEPA impact conclusions. To ensure full, objective economic analyses, CalEPA will centralize these functions within a new economic impact unit within the Office of Environmental Health Hazard Assessment.

The Administration is also proposing an augmentation of \$600,000 and eight positions to establish a new Regulation Review Unit within the Trade and Commerce Agency. The unit will review the economic and business impacts of proposed state environmental regulations to ensure that those regulations do not create undue economic disruption and job loss. This unit will

provide the regulated public with a better understanding of the impact likely to result because of state regulations, and will ensure that regulations with economic impacts will be more carefully reviewed.

CURBING LAWSUIT ABUSE

In 1991, Californians filed 850,000 lawsuits, one for every 31 Californians. The resulting burden of excessive, costly litigation is an acute and widely held concern about the California jobs climate. The Council on California Competitiveness reports that "surging liability insurance costs, huge legal bills, large settlements and unpredictable jury verdicts impose a heavy tort tax on every business, large and small in the state--a tax borne ultimately by all Californians in the form of costlier goods and services, fewer jobs and less investment in California." The cost of liability insurance in California is well above the national average, consuming 6.8 percent of a construction firm's revenue in the State, up to twice the amount as other competitor states.

The American Electronics Association, which represents the State's high-tech manufacturing base, estimates 17 percent of venture capital-backed firms surveyed in California had been hit by at least one class action suit. The sued firms spent an average of \$692,000 in legal fees, devoting more than a thousand hours of top management time dealing with the suits. Many of these suits are frivolous, and those filing face little or no consequence for their action.

Anyone who has been in an auto accident, even a "fender bender" is familiar with the burdensome costs, frustrating delays and long waits to receive payment for damages. Abuse of the auto insurance system has become epidemic; Californians file auto injury claims at twice the rate as the rest of the country. The Administration will cosponsor, along with consumer organizations, a guaranteed benefit and expedited payment system which would:

- ☐ Reduce auto insurance costs by eliminating a large amount of unnecessary legal costs,
- ☐ Speed up benefit payments to injured persons, and
- ☐ Reduce the number of uninsured drivers.

Nowhere are the problems with our legal system more apparent than in the high-profile cases involving individuals engaged in criminal activity suing and receiving payment for injuries suffered during the commission of a crime. In San Francisco, a cab driver was sued by a robber after the cab driver apprehended the robber. The robber collected \$25,000. The Administration will sponsor legislation which will prevent criminals from receiving payment for injuries suffered as a consequence of their criminal conduct.

42 The Administration will lead the way in sponsoring legislation which requires judicial sanctions against parties who file frivolous claims. The Administration will also seek to expand alternative dispute resolution (ADR) by expanding judges' authority to require referral of civil causes of less than \$100,000 to civil arbitration and mediation.

The Administration will sponsor legislation to provide incentives for parties—and their attorneys—to reach early lawsuit settlement, avoiding the expensive discovery process.

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ENTERPRISE ZONE REFORMS

California's Enterprise Zone program is an innovative partnership between the state, local government, and the private sector that spurs business development in 35 designated areas through special zone incentives. Through enterprise zone incentives, the Trade and Commerce Agency encourages business investments in economically depressed areas.

Enterprise zones are one of California's most effective tax incentives available to businesses considering locating or expanding within the State. When Packard Bell Corporation was considering moving its operations out of state, Governor Wilson and the Legislature created an enterprise zone at the Sacramento Army Depot, which paved the way for Packard Bell to move its operations to the closed military installation. The company employs 1,600 workers and is expected to hire an additional 1,400 over the next three years.

For 1995, the Governor is seeking improvements to the enterprise zone program to ensure it is an even greater incentive for businesses to locate in economically distressed areas in the State.

Two types of programs exist which designate geographic areas as "enterprise zones". Business located within either type of enterprise zone receive tax incentives, however the eight program areas throughout the state have proven to be significantly less effective at attracting new businesses and creating new jobs. The Agency will look to conform these eight areas with the other 27, to ensure that all enterprise zones throughout the state operate on a level playing field.

The Governor will also propose to ensure that both unincorporated and incorporated areas are able to take advantage of expanding the geographic boundaries of an enterprise zone by 15 percent. The Administration will also look to expand the definition of eligible employees for the hiring credit, clarify that a business within an enterprise zone can claim a full five years

hiring credit regardless of whether the zone expired while the hiring credit was still in effect, and delete the cumbersome apportionment formula.

INFRASTRUCTURE BANK

AB 1495 and SB 101 (Chapters 94 and 749, statutes of, 1994) would create the California Infrastructure Bank within the California Housing Finance Agency, and rename the Agency as the California Housing and Infrastructure Finance Agency. This new program is contingent upon sufficient funds being made available to implement the bills' provisions. AB 638, which would have authorized general obligation bonds to capitalize the Bank, was not enacted by the Legislature.

The California Infrastructure Bank (CIB) would provide for much needed infrastructure investment and ultimately creating jobs and sustaining economic development in the State. The Governor will work with the Legislature to authorize bonds or other acceptable funding sources to enable this program to be implemented at the earliest opportunity.

The CIB would assist local governments in the financing of roadways, sewers, water mains and other critical infrastructure needs. Infrastructure is sometimes a key factor in a decision on whether to locate a facility in the State or not. In addition, the CIB would provide funding for the conversion of closed military facilities to commercial uses.

California's population has continued to grow at a rate of approximately 500,000 people per year over the past three years. The CIB would help facilitate the development of housing and businesses by providing a new financing method for necessary services.

Twenty-five other states have established their own infrastructure banks and they have greatly assisted their economic development efforts.

ENHANCED TOURISM MARKETING

The Division of Tourism, within the California Trade and Commerce Agency, promotes California as a leading destination for travel and tourism by working closely with the public and private sectors to increase California's share of domestic and international travel, which accounts for 275 million leisure trips annually.

Travel and tourism is among California's biggest industries, annually contributing more than \$52 billion to the state's economy, employing more than 685,000 Californians, and generating approximately \$2 billion in state tax revenues and \$1 billion in local tax revenues. Despite being the number one tourism desti-

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nation among all states, California ranks 16th in the amount allocated by any state for tourism promotion.

To improve our competitive position, Governor Wilson created the California Tourism Funding Task Force in 1992 and charged it with developing a non-tax solution to provide for adequate tourism promotion resources.

The result is the California Tourism Marketing Act, which would authorize California's travel industry to conduct a referendum to determine if the State's travel industry wishes to assess itself for the purpose of conducting statewide tourism marketing. Legislation authorizing the referendum failed passage last year. This year, the tourism industry, with the support of the Administration, will make another effort to enact this legislation.

RESTRUCTURE AND ENHANCE INTERNATIONAL TRADE AND INVESTMENT

The Governor's international efforts brought in over \$580 million of new international business to California in 1994, an unsurpassed record of achievement. This includes more than \$115 million in new investment attracted to California by the Office of Foreign Investment and its foreign offices. The Office of Export Development reported over \$55 million in exports it helped generate. The Export Finance Office supported \$300 million in export sales. These successes are estimated to support over 9,000 California jobs.

In order to take complete advantage of the recently-approved NAFTA and GATT agreements, the Governor's Budget supports:

An augmentation of \$5.8 million and 62 positions to increase and improve the State's competitive position in promoting exports, generating jobs-creating direct foreign investment, and promoting tourism, including:

An augmentation of \$2 million and 21 positions to expand staffing in each of the seven existing overseas offices.

\$1 million to establish five new overseas offices in locations to be determined by the World Trade Commission.

An augmentation of \$1.3 million for increased tourism promotion in Japan and the United Kingdom, Mexico, Australia, China, South America and South Korea. Six positions in the foreign offices will be dedicated to tourism.

DEFENSE CONVERSION AND MILITARY BASE CLOSURE

The Administration will request an augmentation of \$2 million to restore the Strategic Technology program to the 1993-94 budgeted level. The program provides state matching funds for federal grants to support defense conversion and technology commercialization projects in California.

To date, the Defense Conversion Matching Grant Program has awarded \$8.5 million to 33 grantees and has tentatively committed an additional \$7.6 million to 43 proposals competing for federal funding under the federal Technology Reinvestment Project. The financial commitment of the State has resulted in a \$113.7 million federal investment in businesses located in California. The awards represent investments in advanced transportation, advanced computerization, manufacturing processes, advanced electronics, and environmental technologies. Job creation, as a result of this program, is expected to reach 400,000 to 600,000 over the next five years.

The State continues to be faced with the dramatic impact of military base closures. The Governor's Budget proposes an augmentation of \$1.1 million to the Defense Adjustment Matching Grant program, in order to help local agencies convert closed military bases to jobs-creating industrial centers.

SMALL BUSINESS

Small business has taken up the employment slack left by large industrial employers, and the Trade and Commerce Agency's efforts to assist small business are greater than ever. The Small Businesses Development Centers assisted more than 19,000 small business owners in 1994, and there was an increase of nearly 100 percent in total financial assistance given under the State's Regular Small Business Loan Guarantee Program. Sixty-six percent of the Agency's loan guarantees are to minority, women, or disabled entrepreneurs. The State Loan Guarantee Program currently has \$46 million in outstanding loan guarantees. The Agency also responded to victims of the Northridge Earthquake through the Disaster Assistance bridge loan program, providing 282 loans totaling \$21 million to small companies that suffered damage or dislocation. The Governor's Budget is proposing an augmentation of \$1.5 million and 4.5 positions to continue to provide financial services to the growing small business sector.

The Administration will propose to spend \$3.8 million from the Rural Economic Development Infrastructure Bond Fund to continue providing funds for the Rural Economic Development Infrastructure program (REDIP). Chapter 869, Statutes of 1993, (AB 1977) provided the Agency with the authority to issue bonds to finance additional rural economic development infrastructure projects.

The Governor's Budget proposes an augmentation of \$464,000 from the Underground Storage Tank Financing Account, recapture of \$6 million of unencumbered funds received in previous years, and 4.3 positions to provide additional support and loan funds for the Replace Petroleum Underground Storage Tank (RUST) program. This program makes loans to small businesses to upgrade, replace or remove petroleum underground storage tanks to meet applicable local, state or federal standards. Recently, enacted legislation abolished various restrictions that will enable more loan applicants to qualify for

this program. The Administration will sponsor legislation to increase the RUST annual appropriation from \$4 million to \$8 million.

TRADE AND COMMERCE AGENCY INFORMATION NETWORKING AND ONE-STOP SHOP FOR ECONOMIC DEVELOPMENT RESOURCES

The Trade and Commerce Agency is developing electronic communication linkages to conduct daily business and to provide businesses access to data bases and resources. Examples include:

- ☐ Electronic access to trade and investment leads for exporters and the Agency's International Offices;
- ☐ Film location sites and regulatory requirements for producers and film makers;
- ☐ Environmental regulatory requirements and compliance options including new technologies for companies;
- ☐ Funding incentives, technical assistance and networking resulting in commercial and dual-use products and technology for defense-related companies;
- ☐ Site location and development and operating requirements for companies; and,
- ☐ Data base of government grants, loans and economic development programs for companies, local jurisdictions and economic development practitioners.

The objective is to develop the capacity of the Trade and Commerce Agency to practice "electronic commerce."



A Commitment to Federalist Principles Restructuring the Federal-State Relationship

BACKGROUND

Despite sharing common constituencies and interests, the relationship between the State of California and the federal government increasingly has become one of conflict over responsibilities, priorities, and limited resources. The cause of this conflict is rooted in the fundamental relationship between states and the federal government.

Governor Wilson believes that the basic blueprint in the U.S. Constitution is one in which California is an equal partner with the federal government in fostering opportunity and meeting the basic needs of its citizens. However, whether it is through legislation, regulation or court decision, the federal government has taken the position that the states are subordinate to the federal government.

The subordination of state governments has taken many forms:

- ❑ Though the Constitution grants the federal government exclusive authority to set and enforce immigration policy, the federal government has failed to control illegal entry. Even worse, the federal government requires that states and local governments provide and pay for services to a population that is in the country due to federal failure to prevent their entry.
- ❑ Though the states have repeatedly demonstrated innovation and creativity in designing anti-poverty programs that are cost-effective, foster self-sufficiency and reduce dependency, excessive federal regulations and court decisions effectively attack and stifle state innovation.
- ❑ The federal government continues to impose restrictive mandates on state and local governments. These federal mandates impede the ability of the states to manage and discipline their own workforce, provide incentives for economic development, and design programs and services to those most in need.

- ❑ Though the federal government insists on taking primary responsibility for authorizing entitlement programs for the sick, the elderly, and the needy, it has failed to take action to control costs, reduce excessive liability, and direct federal resources equitably among the states.

Governor Wilson believes that the sustainability of the California comeback rests on restructuring the current dysfunctional federal-state relationship. He believes this should be a priority for all governors, and strongly supports the convening of a Conference of the States to send a unified message to Washington that fundamental reform in the federal-state relationship is needed. If the federal government is committed to reinventing itself, it should reform the way it does business with the states, and the first step toward reform is to return to the basic constitutional blueprint of states as partners, not subordinates.

A BLUEPRINT FOR REFORM

The election of a Republican Congress for the first time in 40 years provides the states with a unique opportunity to initiate a dialogue with Washington to reexamine and reform the federal-state relationship. Governor Wilson is committed to working with the new congressional leadership to achieve reform in Washington.

The Governor believes that the measures outlined below represent the essence of the current problem, and the recommendations represent the basic blueprint for reform of the federal-state relationship. Just as enactment of federal entitlement programs worked to create the dysfunctional federal-state relationship currently in place, congressional actions on the following measures are essential to return to a federal-state relationship based on increased cooperation and a partnership among equals.

UNFUNDED FEDERAL MANDATES

The State of California's well-documented concerns with federal immigration policy is a large component of an even larger problem faced by all states and local governments: burdensome, excessive federal mandates. Federal mandates prevent states from setting priorities and achieving the priorities and goals their citizens want and deserve.

The State of California is estimated to annually spend at least \$8 billion to comply with unfunded and underfunded federal mandates imposed by Congress. This estimate does not include all of the costs of mandates that are imposed on the state as a result of federal court decisions that broaden the scope of federal law beyond the intent of Congress, or create new law in the absence of congressional or constitutional authorization.

Both the House and Senate leadership have stated their intent to make federal mandate relief and reform one of their highest priorities in the

Federal mandates prevent states from setting priorities and achieving the priorities and goals their citizens want and deserve.

104th Congress. Given that the Congress has made passage of a constitutional amendment to balance the federal budget a priority as well, federal mandate relief is essential to ensure that federal efforts to reform spending practices do not result in new mandates on states and local governments.

Governor Wilson believes that any comprehensive mandate reform legislation should consist of three key requirements:

- ☐ New federal mandates enacted by Congress must not be enforced unless funding is provided to pay for the full cost of compliance with the mandate.
- ☐ New federal mandates caused by a federal court ruling must not be enforced unless federal funding is provided by Congress to pay for the full cost of compliance with the mandate.
- ☐ Existing congressional and court-imposed mandates should be subject to a review by a bipartisan commission, with the goal of eliminating burdensome mandates. The commission would make recommendations on how to implement this goal, and Congress would be required to vote on the commission's recommendations. Recommendations would include elimination of mandates that are found to be duplicative, obsolete or unnecessary, as well as a means of funding those mandates not targeted for elimination.

ENTITLEMENT REFORM

Federal entitlement programs to assist the poor and the sick such as: Aid to Families with Dependent Children, Food Stamps and Medicaid, were designed under the premise of a co-equal federal-state partnership. Though crafted with the best of intentions, these programs have become symptomatic of the larger federal-state problem of state flexibility in program management being unnecessarily stifled by federally required benefit minimums, reporting requirements and "quality control procedures."

Welfare

Governor Wilson has undertaken a four-year initiative to reform California's welfare system. The Governor has created a welfare program that promotes individual responsibility, makes work pay, controls unnecessary program growth, strengthens fraud enforcement, and cracks down on "deadbeat dads."

The current federal-state relationship has proven to be the biggest obstacle to long-term welfare reform. Many of the initiatives launched by Governor Wilson first required the federal government's approval for these measures. This federal approval is actually a "waiver," and is

required if the reform initiative would be inconsistent with a federal regulation or statute.

The need to seek federal waivers for even the most basic reforms is symptomatic of a federal system that has become too restrictive of the states' ability to be more responsive to the needs of their citizens. Waivers are approved only through a difficult process and include burdensome and complex administrative requirements. Further, federal waivers are being challenged in federal court, subjecting reforms approved by a governor, state legislature, and the federal agency to the personal agenda of an unelected federal judiciary.

Governor Wilson believes that the most effective way the federal government can "end welfare as we know it" is to end federal restrictions and mandates on welfare altogether. With the states leading the way on real changes in the welfare system, the Governor believes the federal government can best further that effort by providing a basic block grant and transferring responsibility for Aid to Families with Dependent Children, and other welfare programs, to the states.

Flexibility in Structuring Inpatient Reimbursement

Through several avenues of reform, California is seeking to run its Medicaid program through fiscal and administrative methods more resembling those used in a competitive private sector than a government monopoly. Ironically, one obstacle to this effort has been the "Boren Amendment," which was passed in the early 1980s as a part of a reform package, and designed to give greater flexibility to the states in setting Medicaid reimbursement rates for long-term care facilities.

The Boren Amendment's charge to provide "reasonable and adequate" reimbursement rates based on the costs necessarily incurred by an "efficient and economically operated" provider is one that makes sense in the abstract. Unfortunately, the federal government has failed to provide regulations reducing the abstraction to concrete guidance.

As a result, courts have turned the Boren Amendment into an expensive procedural straitjacket, which has driven both endless costly litigation and upwardly spiraling costs.

Governor Wilson believes that Congress should rewrite the Boren Amendment in a way that will make it possible for states to set inpatient rates in a sensible and competitive fashion, with the certainty that federally approved rate-setting mechanism will not be open to constant second-guessing through the litigation process.

Equitable Funding for States

Medicaid, AFDC, and Foster Care programs are financed with state and federal funds. To determine the federal share, the Federal Medical Assistance

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expensive procedural
straitjacket...

Percentage (FMAP) formula is used. The FMAP formula uses per capita personal income to measure both the need for assistance in a state as well as the resources available to meet that need.

In 1983, 1991 and 1993, the General Accounting Office (GAO) released reports showing that per capita personal income is an inadequate measure of a state's fiscal capacity, and as a result of its use, some states were being undercompensated and some overcompensated by the federal government. GAO recommended modifying the formula, using poverty rates instead of per capita personal income to determine need in a state.

The GAO provided eight options for a new formula in their latest report. Under each option the federal matching rate for California would be increased from its current level of 50 percent. Based on the GAO option that would provide the lowest percentage (54.41 percent), for California, the State is being denied over \$600 million annually due to undercompensation by the federal government.

Governor Wilson believes Congress should modify the FMAP formula in accordance with GAO recommendations, to ensure that all states are fairly compensated for Medicaid, AFDC, and Foster Care programs.

Other Entitlement Reforms

In addition to the broad reforms mentioned above, the Governor is proposing specific changes to federal mandates at the federal level as part of his 1995-96 budget. These reforms would give California more flexibility to deal with entitlement programs that are growing in our state at greater rates than our population and tax resources. Such changes include:

- ☐ Eliminating federal mandates that require maintenance of states' AFDC grants at their May 1988 level. Currently, states are able to increase their AFDC grant levels (which unilaterally commit additional federal dollars) by notifying the federal government of this program change. However, states are denied the ability to reduce their grants below the 1988 level, unless they receive federal approval under a waiver which requires an elaborate demonstration program. Instead, states should be allowed to adjust their AFDC payment level through submission of "state plan amendments" to the federal Department of Health and Human Services.
- ☐ Eliminating federal mandates for states' supplementary payment (SSP) programs, which are tied to the federal Supplemental Security Income (SSI) program, by (1) abolishing maintenance of SSP grants at their 1983 level, and (2) allowing states, at their option, to provide SSP to alcohol and drug dependent individuals who are eligible for SSI. States should have more flexibility in determining the eligibility groups, payment categories, and payment levels for their "voluntary" state supplemental programs.
- ☐ Reforming sponsored aliens' eligibility to social service programs (AFDC, Food Stamps, SSI/SSP) and Medicaid by prohibiting their participation for

five years. By excluding those aliens entirely from aid for five years, sponsors (who must agree, as required by federal law, to support these individuals for five years after their entry into the United States) will be held to their financial contract, rather than the taxpayer.

- Revising the process by which states may apply for existing federal Medicaid funding to allow states to test innovative, new approaches for expanded health care coverage for low-income target populations not now served through the Medicaid program. Currently, states interested in expanding access through Medicaid are hampered by the inflexibility of federal entitlement requirements and extensive judicial intervention. By providing states new flexibility to structure approaches consistent with their needs and fiscal circumstances, the federal government can act as a partner with states to meet the common goal of expanded access to coverage for high-priority populations in need of medical care.

FEDERAL RESPONSIBILITY FOR REFUGEE FUNDING

Of the approximately 1.6 million refugees admitted to the United States since 1975, approximately 600,000 (38 percent) reside in California. The Refugee Act of 1980 provided for the federal government to cover 100 percent of the costs for cash and medical assistance during the first 36 months of a refugee's residency in the United States. Since that time, the federal government began reducing its participation until, by 1991, funding for refugees who are on mainstream public assistance programs funding (AFDC, SSI/SSP and Medi-Cal) had been eliminated.

The federal government has the sole responsibility for determining the number of refugees entering the United States. The federal government's sponsorship (including access to welfare payments and health care) of these individuals is no different than that agreed to by sponsors of legal aliens, who agree to provide support to these individuals for up to five years. To date, the federal agencies setting quotas for refugee entrants provide no coordination with federal agencies responsible for providing resources to states for human service programs. As sponsors, the federal government must meet its legal and financial obligations to support refugees entirely for their first 36 months, rather than placing the additional burden upon states and their taxpayers who have no decision-making role in the quota process.

As part of his 1995-96 Budget, Governor Wilson again calls on the federal government to fulfill its promise to states for 100 percent funding for services to the population for their first 36 months in the United States. Beginning October 1995, 100 percent federal funding for AFDC, SSI/SSP and Medi-Cal services to refugees will save California \$102 million.

"As sponsors, the federal government must meet its legal and financial obligations to support refugees entirely for their first 36 months."

Illegal Immigration— Federal Responsibility and Fairness to State and Local Governments

California is home to more than 1.8 million illegal immigrants (nearly 5.6 percent of our total state population) and an additional 125,000 cross the border to settle in California every year. California is mandated by the federal government to provide education and emergency health care to illegal immigrants, as well as provide custody or supervision to illegal immigrant felons. In 1995-96, California taxpayers are projected to foot the bill for over \$3.6 billion in state costs for services to illegal immigrants. Of this total, \$2.65 billion is for federally mandated activities. These costs come at the expense of the State being able to provide much-needed services to legal residents.

The U.S. Constitution designates immigration policy as an exclusive federal responsibility. Yet federal policy, from lax border enforcement to burdensome mandates to provide services, is grossly contrary to constitutional responsibility. And as the most recent election demonstrated, California voters no longer wish to be held captive by this failed federal policy.

In his 1995-96 Budget, Governor Wilson continues his call on the Federal Government to enact comprehensive reform of its immigration policy. This new policy should be based on two principles: full federal responsibility and fairness to state and local governments. This policy should include the following:

- ☐ The level of Border Patrol personnel and resources needed to replicate the success achieved by "Operation Hold the Line" at El Paso, Texas.
- ☐ Immediate, mandatory custody of illegal immigrants convicted in state courts, or full reimbursement to state and local governments for the costs of providing custody and supervision to illegal immigrant felons.
- ☐ A fraud-resistant identification system to enforce federal laws prohibiting employment of illegal immigrants, and to determine eligibility for publicly funded benefits.
- ☐ Repeal of all current federal mandates to provide services to illegal immigrants, or full reimbursement to state and local governments for their costs of complying with these mandates.

A number of important developments have occurred during the past year following Governor Wilson's call for federal leadership in the area of illegal immigration. Consensus has been achieved about several key data and estimating methods, for which there was once little agreement. During the last

year, studies on the cost of illegal immigrants in California have been conducted by both the Urban Institute and the U.S. General Accounting Office (GAO). Given that these recent studies have arrived at essentially identical conclusions to California estimates, the issue over how to estimate cost is now resolved and federal attention to provide the necessary reimbursement to states is long overdue.

Senator Barbara Boxer, upon release of the GAO report stated, "There is no question that the people of California, whether they voted for Prop [Proposition] 187 or not believe that our state must be fully reimbursed for costs incurred as a result of the failure to enforce immigration laws." The senator continued, "As a member of the budget committee, where this issue will be debated as we put together next year's federal budget, I believe it is essential that I show my colleagues specific figures that show the true unreimbursed cost to California." The Governor agrees, and believes that the federal government has the data and methodology necessary to determine a funding level necessary to fully reimburse California for the cost of illegal immigration.

Further, due to extensive lobbying by Governor Wilson and others, Congress for the first time provided \$130 million to reimburse states for the costs of incarcerating illegal immigrant felons. Though this represents an important first step, the funding amount falls far short of full reimbursement. Congress has had the authority to fully reimburse the states for these costs since 1986, and Governor Wilson once again calls on Congress to provide full reimbursement for 1995-96.

THE STATE COST OF ILLEGAL IMMIGRATION

As exhibited in the adjacent table, illegal immigrants will cost California taxpayers \$2.65 billion for education, incarceration, and health care in 1995-96. In addition, illegal immigrants will incur costs amounting to approximately \$1.0 billion for their share of general state provided services. These general services include police protection, road and park usage, environmental preservation, and other services from which illegal immigrants also benefit by residing in the State. Because these public services benefit all residents of the State regardless of their residency status, illegal immigrants should bear a proportional share of the cost for providing these services. In total, illegal immigrants will cost California over \$3.6 billion during 1995-96. Even when an estimate of state taxes paid by illegal immigrants is considered, the net cost borne by legal resident state taxpayers is at least \$2.8 billion.

COSTS OF PROVIDING STATE SERVICES TO ILLEGAL IMMIGRANTS 1995-96 (DOLLARS IN MILLIONS)

Federally Mandated Services:

K-12 Education	\$1,737
Incarceration	503
Health Services	414
Federal Mandate Subtotal	\$ 2,654

Other State Provided Services 1,000

Total	\$3,654
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The above estimate does not include all state costs for services to illegal immigrants. Among the costs that California excludes are costs for child development, adult and higher education, and the cost of the criminal justice system, outside of incarceration. In addition, costs of services obtained by illegal immigrants through the use of fraudulent residency documents are also omitted.

ILLEGAL IMMIGRANTS COST COMPONENTS

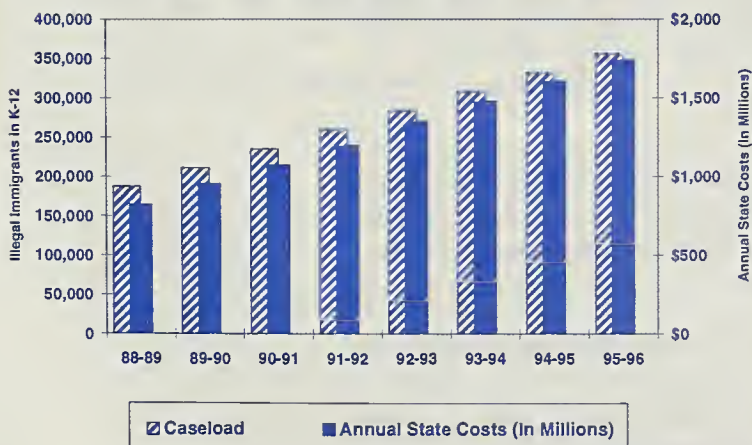
Program Category	Costs Included	Costs Excluded
K-12 Education	Operating Cost (average operating cost x estimated students).	Cost of child care, preschool, and adult education.
Incarceration	Operating cost for adult incarceration, juvenile detention, and adult and juvenile parole. Debt service for facility costs is also included. (Average operating cost x estimated inmates + average parole cost x estimated parolees).	Arrest, processing, court and local jail costs; special costs of illegal immigrant felons such as deportation hearing costs.
Health Care	Services for emergency health care and child delivery and program administration.	Cost of health care for non-Medi-Cal eligible illegal immigrants; costs of Medi-Cal services obtained through fraud.
General Services	Operating cost. (Total cost/total population x illegal immigrant population).	Cost of services accessible only by legal residents. Cost of services directly funded by users.

K-12 EDUCATION (ILLEGAL IMMIGRANT CHILDREN)

In 1995-96, California will educate more than 5.5 million children daily in more than 7,000 primary and secondary schools. Based on the most recent INS' findings, the California Department of Finance (DOF) estimates that

355,820 illegal immigrant children will attend the State's primary and secondary school system by January 1996. In order to provide K-12 education to these illegal immigrants, State taxpayers will spend \$1.7 billion during 1995-96.

FIGURE IMIG-1
ILLEGAL IMMIGRANT K-12 EDUCATION
CASELOAD AND COSTS



This figure represents only a portion of the total cost of educating illegal immigrant children, as it excludes the cost of preschool and child care. Moreover, the \$1.7 billion cost estimate represents only a small fraction of the costs that California taxpayers have already paid to educate illegal immigrants, and does not include the educational expenses for those illegal immigrants who participate in adult education programs.

The cost of educating illegal immigrant children has more than doubled from \$822 million to \$1.7 billion over the last seven years, as shown in Figure IMIG-1. The cumulative state cost of educating illegal immigrant children from 1988 to 1996 totals \$10.2 billion.

INCARCERATION

In 1995-96, California taxpayers will bear the cost of incarcerating nearly 19,200 illegal immigrant felons and overseeing the parole of another 12,400 illegal immigrant felons. In total, these costs will be \$503 million as categorized in the adjacent table.

The illegal immigrant inmate population for both adults and juvenile offenders has increased dramatically along with costs in recent years as shown below in Figure IMIG-2. The population of illegal immigrants in state facilities has soared by 235 percent over the last seven years — from 5,700 in 1988-89 to 19,200 in 1995-96. During that same period, the total annual cost of incarcerating (including incarceration, parole and debt service costs) this population skyrocketed from \$122 million to \$503 million, a 310 percent increase. Cumulative state costs for incarcerating illegal immigrant felons from 1988 to 1996 surpassed \$2.5 billion.

This estimate understates the true State cost of incarcerating criminal illegal immigrants. The \$503 million estimate excludes arrest and prosecution costs. In addition, special costs associated with processing and tracking illegal immigrant felons, such as deportation hearing costs, are not reflected.

HEALTH CARE

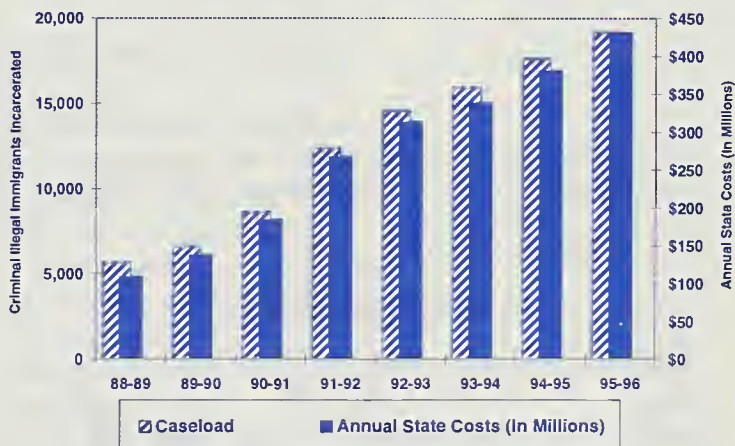
The Federal Omnibus Budget and Reconciliation Act of 1986 (OBRA) mandates that states provide emergency medical services to illegal immigrants who would otherwise be eligible for such services except for their citizenship status.

Using the most current data, the Department of Health Services estimates that 40 percent of babies born to women in California will receive delivery services at a direct cost to state taxpayers. Of this group, 40 percent of the babies born will be to women who are illegal immigrants. In addition, the State will provide health care to thousands of other illegal immigrants. During 1995-96, more than 304,100 illegal immigrants will receive mandated health

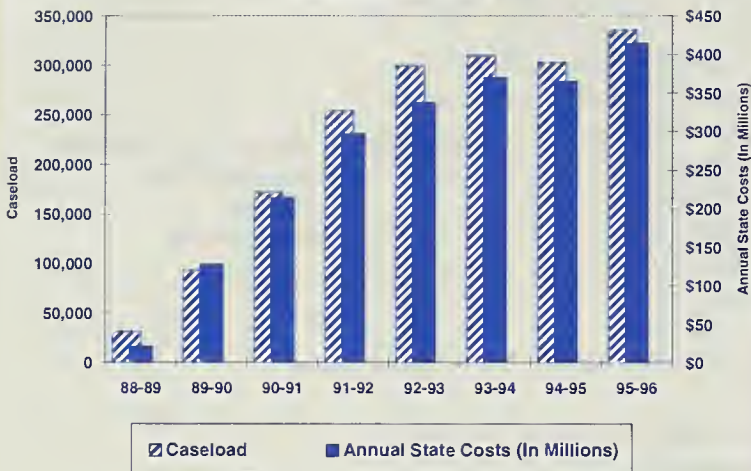
STATE COSTS TO INCARCERATE ILLEGAL IMMIGRANT FELONS 1995-96 (DOLLARS IN MILLIONS)

Adult illegal immigrant incarceration costs	\$397
Juvenile illegal immigrant incarceration costs	34
Adult illegal immigrant parole costs	9
Juvenile illegal immigrant parole costs	1
General obligation bonds debt services for State prisons	<u>62</u>
Total	\$503

FIGURE IMIG-2
ILLEGAL IMMIGRANTS, INCARCERATION COSTS
ADULT AND JUVENILE FELONS CASELOAD



**FIGURE IMIG-3
ILLEGAL IMMIGRANT HEALTH CARE
CASELOAD AND COSTS**



care, costing state taxpayers \$413.8 million in non-reimbursed funds. (For 1995-96, this estimate also includes costs for illegal immigrants who are eligible for Medi-Cal under a federal category for pregnant women and infants who are within 185 percent of the poverty level. This group is estimated to cost the State \$41.6 million in 1995-96.)

During the last seven years, the cost of providing health care to illegal immigrants has risen astronomically as exhibited in Figure IMIG-3. In 1988-89, illegal immigrants cost state taxpayers approximately \$21 million for health care. In 1995-96, illegal immigrants will cost state taxpayers \$414 million, a 1,870 percent increase in just seven years. The

cumulative cost of providing health care will be over \$2.1 billion from 1988 to 1996.

The cost estimates above represent only a fraction of the total cost of providing health care to illegal immigrants. Specifically, it excludes the cost of providing health care to illegal immigrants who are not eligible for Medi-Cal services, such as non-disabled, single adults. Moreover, this estimate excludes the cost of illegal immigrants who obtain medical care through the use of fraudulent residency documents.

OTHER SERVICES

In addition to the \$2.6 billion cost for federally mandated services, illegal immigrants will use an additional \$1 billion in other state services, such as parks, roads, environmental preservation and police protection. Because these public services benefit all residents of the State regardless of their immigration status, illegal immigrants must be assigned a proportional share of the cost of these services.

Only the costs of services for which illegal immigrants are eligible are incorporated into this estimate. For example, illegal immigrants are not eligible to receive Aid to Families with Dependent Children (AFDC) or State Supplementary Payment (SSP) benefits. Therefore, a proportional share of these program costs are not incorporated into this cost estimate.

CITIZEN CHILDREN OF ILLEGAL IMMIGRANTS

Under the Fourteenth Amendment to the U.S. Constitution, children born in the U.S. are American citizens, regardless of their parents' residency status. As such, these citizen children are eligible for the benefits available to all legal residents. Some benefits, such as education, are delivered directly to the

child. Others, such as AFDC, are nominally for the child but in fact are distributed to the child's parents. These provided services are indirect, but result from illegal immigration.

Costs associated with the citizen children of illegal immigrants are excluded from the State's reimbursement request to the federal government. However, the burden that citizen children impose upon California taxpayers is substantial. Consequently, this section outlines the cost of providing services to citizen children for illustrative purposes for the public in general and individuals in Washington in particular, so that they understand California taxpayers are paying more than their fair share of illegal immigrant costs.

In 1995-96, state taxpayers will spend \$954 million to provide health care, education and AFDC support payments to citizen children.

STATE COST OF PROVIDING SERVICES TO CITIZEN CHILDREN

1995-96
(DOLLARS IN MILLIONS)

Specified Services	
K-12 Education	\$599
Welfare	278
Health Services	<u>77</u>
Total	\$954

Citizen Children Education Costs: Although it is not a complete count of all the citizen children of illegal immigrants in California, using the latest Quality Control Survey, the California Department of Social Services estimates that approximately 255,881 citizen children will access State-administered welfare programs. From this, DOF estimates that over 122,600 citizen children will receive K-12 education at state taxpayer expense. In total, these citizen children impose K-12 education costs amounting to at least \$598.5 million for 1995-96.

Citizen Children Welfare Costs: Since 1988, citizen children of illegal immigrants comprise the single fastest growing portion of California's AFDC caseload. For 1995-96, they are at 14 percent of the entire AFDC caseload. The State cost of providing welfare to citizen children for 1995-96 is projected at \$278.5 million.

Citizen Children Health Care Costs: The cost of providing health care to citizen children is significant. In 1995-96 alone, citizen children will cost state taxpayers \$76.6 million.

LOCAL COSTS

California's local governments also bear massive costs from illegal immigration. Although the State does not maintain comprehensive records with regard to these local costs, several studies conducted by local governments in recent years have estimated local expenditures for illegal immigrants.

One such study by Los Angeles County estimates that the 700,000 illegal immigrants in L.A. county cost taxpayers more than \$308 million during 1991-92. Even after the local taxes that they pay were considered, illegal immigrants still imposed net costs in excess of \$272 million.

A study by the State Board of Corrections estimates that there are 7,000 illegal immigrants in California local jails. These criminal illegal immigrants cost localities more than \$117 million annually.

Another study, commissioned by the San Diego Association of Governments, reported that more than 1,300 illegal immigrants were arrested in San Diego County in 1985-86. The local government cost associated with processing and jailing these illegal immigrants approached \$12 million during that year.

The net State fiscal impact excludes these and other local costs. It therefore significantly understates the true costs of illegal immigration to California taxpayers.

1995-96 BUDGET PROPOSAL

Once again, Governor Wilson has made his call to the federal government for full reimbursement of illegal immigrants, a keystone of his 1995-96 Budget Proposal. For 1995-96, the budget assumes federal reimbursement of \$732 million for the cost of incarceration and health care benefits to illegal immigrants residing in California. These reimbursements are due to Californians as the cost for illegal immigrants arise exclusively because of the federal government's failure to secure the national borders and enforce its existing immigration laws.

1995-96 IMMIGRATION REIMBURSEMENT PROPOSAL (DOLLARS IN MILLIONS)

Program	Population	Federal Reimbursement
Incarceration	31,600	\$422
Medi-Cal	304,100	<u>310</u>
Total		\$732

For 1995-96, the Budget assumes \$422 million in federal reimbursement for incarceration: (1) the receipt of \$45 million in the first quarter of 1995-96, resulting from the federal 1995 appropriation to states for the costs of incarcerating illegal immigrant felons, and (2) the remaining \$377 million represents incarceration costs to the State over the remaining three quarters, beginning October 1, 1995, and assumes that the federal government will provide 100 percent reimbursement to states in the federal 1996 appropriation bill.

For health care costs, the budget assumes nine months funding, beginning October 1, 1995, of \$310 million. Full year costs are estimated at \$413 million.

Although the Governor continues to call on the federal government to review its options to deal with the \$1.7 billion education costs of illegal immigrants, a compelling magnet to illegal entry, the budget does not rely on reimbursement of education costs. Given California's voters overwhelming approval of Proposition 187, Congress should move to enact legislation that repeals the current federal mandate to provide educational services to illegal immigrants. In the interim, until Congress does take action to repeal, the Governor once again calls on Congress to appropriate full federal reimbursement for the costs of education as an interim measure. If federal reimbursement is received, the additional state funding will be available for other high priority education programs such as:

- ❑ Tutoring and mentoring hours to at risk youth,
- ❑ Computers for children in the classroom,
- ❑ New Healthy Start programs to integrate health and social services for children at the school site, and
- ❑ Expanded access for children of low income families to preschool education.

Further, the Governor also calls upon Congress to give states the authority to obtain citizenship information upon enrollment. This would give the State the ability to provide the federal government with the information needed to either reimburse the State or to enforce any future federal policy that repeals the education magnet.

CONCLUSION

California retains its historic commitment to tolerance and compassion. The United States already accepts more legal immigrants than the rest of the world combined, and California has welcomed the courage, diversity, and hard work of legal immigrants. However, the greatest threat to legal immigration is a dysfunctional federal policy that fails to prevent illegal entry and mandates that state taxpayers fund the rewards for illegal entry.

It is both wrong and unfair to reward people with public benefits for breaking our immigration laws, and especially to do so at the expense of needy legal residents. That's why Californians overwhelmingly passed Proposition 187.

Governor Wilson urges the President and members of Congress not to ignore the clear message of Proposition 187 — Washington must reclaim its constitutional responsibility over immigration policy — it must prevent illegal entry and take full responsibility for its failure to do so. Immigration reform must occur if all levels of government are to have the resources to provide services to needy legal residents, and if there is to be an incentive for those who seek residency in the United States to do so according to the law and in fairness to those already here.

"California has welcomed the courage, diversity, and hard work of legal immigrants. However, the greatest threat to legal immigration is a dysfunctional federal policy that fails to prevent illegal entry."

Building Access to Higher Education

The State of California owes much of its economic competitiveness and social vitality to its long-standing commitment to higher education. In 1960, the state revolutionized its higher education services with the adoption of the Master Plan for Higher Education, which has guided state policy ever since. The basic goal of the Master Plan is that all qualified students should have the opportunity to enroll in a high-quality, affordable, public higher education institution.

Over the last 34 years, the State has invested funds to fulfill the Master Plan, and this investment has yielded enormous benefits. The University of California (UC) and California State University (CSU) have provided a continuous supply of highly skilled professionals, scientists, technicians, and managers for California business and industry, as well as teachers for the next generation. Knowledge discovered in higher education's research programs contributes to the well-being of California in a multitude of ways, ranging from medical breakthroughs that maintain and improve our health to technological applications that increase industrial and agricultural productivity.

Unfortunately, the fiscal difficulties of the early 1990s prevented the State from fully meeting the needs of higher education, and California's competitiveness has been jeopardized. Now that the State's resources have begun to improve, the investment in higher education must be renewed. Without an educated workforce, and without the basic and applied research that our universities bring to all of California, it will be impossible to maintain the State's long-term competitive position. A strong system of higher

education is critical to our social fabric and our ability to compete in the global markets of the 21st Century.

UC and CSU. The budget proposes a four-year compact with UC and CSU to provide a framework of budgetary stability. The plan includes both General Fund and fee revenue strategies, and calls for increases in enrollment and productivity.

☐ **State Support.** Recognizing that the state is emerging from a period of severe fiscal difficulty, support in 1995-96 will necessarily be smaller than in

subsequent years. A General Fund increase of two percent is provided for 1995-96, along with a commitment to provide increases averaging four percent for the next three years. Combined with student fee revenue, this level of funding is intended to stabilize funding and allow for growth.

- ❑ **Capital Outlay.** In addition to the annual increases in state support cited above, General Fund increases will be provided for the debt service on general obligation and revenue bonds used to finance capital outlay projects. Also, new capital outlay funding for UC and CSU will be about \$150 million each per year, in recognition of state debt limits. Priority will be given to seismic and life safety projects, infrastructure and educational technology.
- ❑ **Student Fees.** Student fee increases will be approved by the UC and CSU governing boards, as they carry out their responsibilities to serve the State's students and maintain educational quality. Fee increases will include general student fee increases as well as differential fees for UC professional students and CSU graduate students. Policies regarding fees and student financial aid must continue to be tied together to assure that financial circumstances are not a barrier to access; to this end UC and CSU will reserve at least one-third of the additional fee revenue for financial aid. Also, it is intended that the Cal Grant program will be expanded in conjunction with the fee increases.
- ❑ **Enrollment Plans.** UC and CSU will plan their enrollment such that over the four-year period general enrollment will grow by an amount averaging about one percent annually. These increases will help meet the imminent growth in enrollment demand, which is expected to result from upcoming increases in high school graduates. Health sciences enrollment at UC will stay level, and greater emphasis will be placed on training primary care providers, as UC has previously agreed. In addition, the plan calls for better cooperation and coordination among the higher education segments in order to increase the transferability of course credits between the systems, including improved transferability of students from the Community Colleges and joint UC/CSU graduate programs.
- ❑ **Productivity Improvements.** While UC and CSU have achieved dramatic increases in productivity necessitated by recent budgetary reductions, there is a continued need for productivity improvements in order to further student access and program quality within available resources. The plan calls for each institution to implement, each year, additional productivity enhancements saving \$10 million. In the process of making these enhancements, continued priority will be given to reducing the cost of administration, increasing management efficiency, and utilizing cost-effective instructional technology.
- ❑ **Budget Priorities.** The plan calls for each segment to renew its commitment to undergraduate teaching and place high priority on providing needed classes so that full-time students are able to graduate in four years or less, and that part-time students can graduate in as few years as possible. Achievement of this goal will require that faculty continue to teach more than in



the past. Furthermore, UC and CSU shall give high priority to restoring faculty salaries to competitive levels over the four years, with an emphasis on merit-based increases. These improvements in salaries are requisite to recruiting and retaining a high caliber faculty, which is fundamental to the quality of instruction and research.

The commitments embodied in this plan will stabilize our higher education system and help enable it to meet the challenge of providing a growing population with superior higher education that is affordable and available to all who are qualified. Implementation of this plan is imperative, for at stake are California's future vitality and economic growth.

Community Colleges. An important component of California's system of higher education is the Community College system. The budget for the Community Colleges must be determined on an annual basis, because the majority of their funding is derived from the Proposition 98 guarantee. Because California is recovering from the prolonged recession, there is funding available to provide additional stability to the Community Colleges by backfilling the recent property tax declines. Consistent with the policies for UC and CSU fee increases, the budget proposes a modest fee increase for Community College students, in recognition

of the idea that students should pay a fair portion of the costs of instruction. Financial aid, in the form of fee waivers, has been significantly increased for the Community Colleges, both in recognition of the proposed fee increase, as well as an overall increase in need for financial aid. These policies recognize the integral role played by the Community Colleges in California's structure of higher education.

These policies recognize the integral role played by the Community Colleges in California's structure of higher education.



K-12 Initiatives

More than a decade has passed since *A Nation at Risk* warned of a “rising tide of mediocrity” that threatened to engulf our nation’s schools. In response to this and a number of similar reports, California enacted a comprehensive education reform measure in 1983. Among other provisions, SB 813 re-established statewide high school graduation requirements; provided fiscal incentives to lengthen the school day and year; raised beginning teachers’ salaries; and created a new mentor teacher program.

The good news is that, as a result of these reforms, the performance of California’s public school system has improved. Fewer young people are dropping out of school, more students are eligible for college, and the gap in achievement between minority and non-minority youngsters has narrowed.

The bad news is that the school system is not improving fast enough to keep pace with the increasing demands that are being placed upon it. In the information-based, global economy of the 21st century, students who leave school with low-level skills will no longer be easily absorbed into the workforce. As a result, the schools will be called upon to ensure that all students possess both a solid foundation in basic skills as well as more sophisticated abilities to apply these skills in solving problems creatively.

Meeting these challenges would be difficult under the best of circumstances. They are rendered even more daunting, however, by the fact that the most rapidly growing segments of California’s school-age population are the students who traditionally have been least successful in today’s educational system: children living in poverty and children with little or no proficiency in English.

The Governor believes that under these circumstances, California’s school system cannot succeed if it continues to pursue “business as usual.” Fundamental changes in the system’s structure and objectives are required.

Above all, the system’s primary focus must be on ensuring that all students meet rigorous academic performance standards. For its part, the state must relax its bureaucratic stranglehold and free the schools to meet this goal as

local circumstances dictate. Under the new system, the state's role shall be to provide:

- ❑ Clear performance standards in support of academic excellence
- ❑ Flexibility in the methods used to achieve the standards
- ❑ Incentives for achieving the standards as well as consequences for failing to do so
- ❑ Accountability for outcomes for all participants

In support of these principles, the Administration proposes the following education reforms:

Reducing the Administrative Burden. The Administration proposes to repeal the existing 11-volume Education Code and replace it with a streamlined, one-volume version based on the principles listed above. School districts will be given flexibility in the timing of their transition from the old to the new versions of the Code.

Standards. The Administration proposes the development of statewide academic skill and performance standards in all grade levels and subject areas, which will be incorporated in a revised statewide pupil assessment program. The Administration also proposes the creation of a new merit diploma that will be awarded to students who demonstrate mastery of a broad range of academic subjects.

Recruiting and Retaining Outstanding Teachers. The Administration believes that teachers as professionals should be held accountable for outcomes—in particular, for improving the academic achievement of their students. The Administration proposes to repeal and modify laws that give non-performing teachers extraordinary employment protection and will also introduce legislation in support of merit-based pay. The Administration also supports deregulation of, and competition among, teacher training programs. In support of this objective, the Administration will introduce legislation to allow school districts to hire new teachers at varied starting salaries based on their skills, experience, and quality of academic preparation.

Parental Involvement. Parents are the most important influence on children outside of the school, and their involvement is critical to academic success. The Administration supports the enactment of a Parents' Bill of Rights, along the lines proposed last year in SB 2024, as well as development of a parent involvement plan at all school sites. The Administration will also seek the repeal of obstacles to parental involvement in public schools. Finally, the Administration will work with the State Board of Education to require textbook publishers, as a condition of adopting their textbook for use in the state, to provide accompanying "parents' guides."

Additionally, the Governor's Budget proposes the following initiatives:

School Safety. The Administration proposes to expand on last year's legislative efforts by solidifying its zero-tolerance policy for students attempting injury with a knife or firearm, or who sell a controlled substance on campus. Funds are provided to ensure those pupils suspended from a regular classroom will be placed in an alternative educational program.

School Construction. Because there are currently no bond funds available to provide needed new classrooms for enrollment growth, the Administration is proposing a program alternative. The new program will provide immediate loans for classrooms to districts experiencing enrollment growth; every new child will have access to a classroom. Details of this alternative program are in the "Elementary and Secondary Education" section of the Budget Summary.

Prevention. To continue expansion of the Governor's Prevention Program, augmentations are proposed as follows: Healthy Start, \$20 million; Preschool, \$20 million; Volunteer Mentor, \$5 million; and Early Mental Health, \$2 million. These programs all provide the means of assisting every child to become ready to learn, and to perform at their best in the classroom.

State and Local Government A Partnership for Results

STATE-LOCAL RELATIONSHIP SINCE PROPOSITION 13

The state-local relationship was fundamentally altered with the passage of Proposition 13 in 1978. Almost seventeen years later, this relationship remains strained as the state and local entities, in particular counties, struggle with growing caseloads, increasing service demands and limited resources.

Prior to Proposition 13, locally elected officials had the ability to raise local property taxes to meet service demands. Local officials were accountable to the local electorate for the amount and allocation of this revenue. Proposition 13 reduced the local property tax by rolling back assessments to the 1975 level, limiting the property tax to one percent of the full cash value of property, and limiting growth in assessed valuation to no more than 2 percent annually. The immediate effect of Proposition 13 was a loss of property tax revenues received by K-14 school districts, counties, cities and special districts of almost \$7 billion, or more than 50 percent of property tax revenues. Proposition 13 also explicitly provided the Legislature the power to apportion the property tax.

AB 8

Faced with the wholesale curtailment of locally funded services, the State provided local governments with substantial fiscal relief. SB 154 (1978) replaced virtually all of the local revenue losses with state grants. In 1979, the Legislature enacted AB 8, which established an ongoing fiscal relief mechanism. AB 8 bought out a major portion of county health and welfare expenses, and shifted a substantial amount of property tax revenue from K-14 school districts primarily to counties with the balance going to cities and special districts.

While there have been incremental changes in programs and the allocation of revenues, AB 8 continues to form the basic structure of the state-local relationship. One major change has been the implementation of the State-Local Realignment program in 1991.

LIMITATION OF LOCAL REVENUE RAISING AUTHORITY

Under Proposition 13, local governments were prohibited from raising property taxes. In addition, local governments were prohibited from imposing special tax increases without obtaining approval by two-thirds of the local voters. Local governments have had marginal success in getting such approvals.

Cities, which have broader revenue raising authority, have not been as affected by this prohibition.

The Proposition 13 tax limitations have led to an increasing dependency on the State for resources, and a sharp decline in flexibility and accountability at the local level.

THE SUCCESS OF THE STATE-LOCAL REALIGNMENT PROGRAM

In 1991, the State-Local Realignment Program was enacted in response to growing concern by state and local officials about the impact of health and welfare programs on counties' local revenues, excessive state oversight of county operations, and inappropriate fiscal incentives facing counties.

The legislation provided counties with \$2 billion in funds for support of a variety of health and social services programs. An important component of the legislation was the equalization of county shares-of-cost for certain social services programs. The revised sharing ratios were designed to reduce incentives for cost shifting, by placing the emphasis on appropriate service level rather than on who funded the service. Realignment also encouraged counties to experiment with coordinated and collaborative approaches to funding and delivering services, recognizing that individuals often receive services from several different, but closely related, programs.

The State-Local Realignment program has been regarded as an important success and, despite initial revenue shortfalls, has provided a dedicated, stable, and growing funding source for indigent health and community mental health programs. In addition, it has provided counties with flexibility and financial incentives to make decisions based on client needs, rather than fiscal advantage.

PROPOSITION 98, PROPERTY TAX SHIFTS AND PROPOSITION 172

In 1992-93 and 1993-94, the State faced severe budgetary pressures. State revenues were declining as a result of the most severe recession since the 1930s. Caseloads for federally mandated health and welfare entitlement programs were growing at several times the rate of growth of the general population. The State's options for addressing these budgetary problems were greatly limited by Proposition 98, which was approved by the voters in November of 1988.

Proposition 98 established K-14 education as California's highest financial priority after debt service obligations, by specifying minimum funding levels in the Constitution. Proposition 98 also explicitly recognizes the historical role of the property tax in financing local school districts, by defining this funding

"The State-Local Realignment program... has provided counties with flexibility and financial incentives..."

guarantee in terms of the sum of state revenues and property tax revenues supporting schools.

In order to meet the schools' constitutional funding priority, the State was compelled to reduce a portion of support it had been providing local jurisdictions since the passage of AB 8. A total of \$3.2 billion in property tax revenues was transferred from local agencies to K-14 districts in these two fiscal years. Legislation enacted provided counties with mandate relief and the Budget Act provided financial relief from some of the costs of various human services programs. Savings to counties were estimated to be over \$300 million. At the same time, the state reduced funding for programs, primarily in the Health and Welfare area, by over \$2 billion.

In 1993, the Legislature also enacted SB 509, which extended a temporary ½ cent state sales tax from July 1, 1993 through December 31, 1993. The proceeds of the tax were allocated to counties and cities to secure financial support for local public safety. The Legislature also enacted SCA 1, which the voters approved as Proposition 172 in November 1993. This constitutional amendment establishes public safety as the first priority of local government and permanently extends the SB 509 program.

In 1994, the Legislature passed and the Governor signed, AB 2788, which requires local jurisdictions to maintain their 1992-93 funding level for public safety or have their funding from the Public Safety Augmentation Fund reduced. This legislation reaffirms the priority of local public safety programs.

CURRENT PROBLEMS WITH THE STATE-COUNTY PARTNERSHIP

FISCAL CONSTRAINTS

Counties finance and administer local services to the residents of unincorporated areas, such as sheriffs, fire protection, libraries and parks, as well as a broad array of countywide services, such as jails, property tax administration, recording and elections. These services were historically supported by the property tax.

As political subdivisions of the State, counties are also responsible for the local administration of state programs, primarily community-based human services and justice programs. While the California Constitution requires the State to reimburse local entities for the cost of state-mandated programs, the share of cost for state programs enacted prior to 1975 is not state-reimbursable and is supported with local revenues. The cost of these programs, many of which are entitlements, has increased faster than the growth in local revenues. This has strained counties' budgets, and has reduced local fiscal flexibility in meeting local priorities.

COUNTERPRODUCTIVE FISCAL INCENTIVES

Given state involvement in programs subsequent to Proposition 13, coupled with local fiscal pressures, the emphasis in the operation of programs has been to determine service based on who pays for the program. This has led to inappropriate and costly placements, for example, of children in more expensive group homes rather than in foster homes, and commitments to state hospitals, rather than providing services in community mental health programs. The State-Local Realignment proposal began to address this issue by more closely aligning county sharing ratios among similar programs.

FOCUS ON PROCESS, NOT RESULTS

The current structure of county-administered state programs is designed to stress rules, administrative uniformity, administrative control by the state and federal government, and is categorical in nature. By focusing on the rules and day-to-day administrative procedures, little attention has been placed on whether programs are achieving the desired outcomes. This structure diminishes the potential for efficiency, flexibility and integration of programs.

THE 1994-95 RESTRUCTURING PROPOSAL

The Administration presented a Restructuring proposal in the 1994-95 Governor's Budget that emphasized the principles of the appropriate assignment of program responsibilities, appropriate fiscal and program incentives, and local control and integration of community-based services. The program objectives were defined in five areas: 1) fiscal neutrality, 2) promotion of economic development, 3) promotion of local control and responsibility, 4) establishment of fiscal incentives for performance, and 5) reduction of bureaucracy and administrative oversight. While the proposal engendered much positive discussion, no legislative action was taken.

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...responsibility, and to promote
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STATE AND LOCAL GOVERNMENT - A PARTNERSHIP FOR RESULTS

Based on subsequent discussions with local officials and state departments, the Administration continues to believe that the principles and goals outlined above are appropriate. Any alteration of the state-local relationship must promote increased local control and responsibility, as well as appropriate fiscal incentives for program results. It must also recognize that the state and counties are partners in operating programs.

A PARTNERSHIP FOR FAMILY AND CHILDREN'S SERVICES

Since the 1991 implementation of Realignment, counties have expressed an interest in an allocation system that allows flexible use of funding for what are now categorical programs. Flexible funding allows counties to use resources for prevention and intervention services rather than expensive, long-term placement care.

A primary component of this partnership, therefore, focuses on providing the resources and flexibility counties need to operate family and children's services.

The Governor's Budget proposes to transfer a portion of existing state sales tax (.2215 cents), an estimated \$710 million, to a new Children's Services subaccount within the existing Realignment funding framework. With this additional resource, counties would become responsible for 100 percent of the nonfederal share of cost for the Child Welfare, Foster Care and Adoptions programs. The original amount of realignment revenue allocated for these programs would also be deposited into the new subaccount for a total of \$1.1 billion for children's services programs.

Key components of the proposal include:

- ☐ Greater flexibility and county decision-making authority in the budgeting and use of children's services monies.
- ☐ Initial allocations to be based on existing caseload demands.
- ☐ Use of growth revenues to recognize increases in the cost of providing services and to bring counties to a parity funding level using a variety of demographic factors.
- ☐ County service plans developed with community involvement and client input that measure client satisfaction.
- ☐ Promotion of integration and collaboration at the local level.
- ☐ Development of outcome measures to meet the goal of providing quality services.

- ❑ A redesigned oversight role for the Department of Social Services to be proactive and quality focused.
- ❑ A leadership role for the Department of Social Services in the development of quality, competency-based training for county staff. Training academies and statewide technical assistance will be provided through the State, using one half of one percent of the new funding pool.

This proposal strengthens the features of the 1991 Realignment by promoting local flexibility and decision-making while maintaining an active, policy-oriented role for the State.

OTHER COLLABORATIVE SERVICES

In addition to allowing flexible funding, the Administration believes it is imperative to identify and remove barriers to the effective and efficient delivery of services. The Governor's Budget embodies this philosophy in several program areas.

THE YOUTH PILOT PROGRAM (AB 1741)

In 1993, the Legislature passed and the Governor signed AB 1741, in order to test whether local communities can better serve children and families if categorical funds are integrated. AB 1741 establishes a five-year pilot program to allow five selected counties to blend various child and family service funds in support of the implementation of innovative strategies at the local level to provide comprehensive, integrated services to children and families.

Ultimately, the Youth Pilot Program will provide models for statewide implementation of service delivery systems that are locally controlled, family-focused, prevention-oriented, and outcome-based. This pilot is broader than the proposal outlined above, because it potentially involves more fund sources and cuts across agency lines to involve schools and juvenile justice programs. In addition, one important feature is the identification and removal of state and federal laws and regulations which create barriers to service delivery integration. The Administration is committed to seeking necessary federal waivers to implement this pilot.

HEALTHY START

The Governor's Budget proposes an increase of \$20 million for a total program of \$39 million for the Healthy Start program. These funds will be used to expand the coordination and integration of health and social services for children at school sites. The Healthy Start program is a component of the Comprehensive Integrated School-Linked Services effort.

CHILDREN'S SYSTEM OF CARE

The Governor's Budget proposes a \$1.9 million augmentation for the Children's System of Care (CSOC) project in the Department of Mental Health. The CSOC was initiated in 1985 as a comprehensive, coordinated mental health services program for seriously emotionally disturbed children. The CSOC model promotes interagency cooperation and has been successful in reducing the number of children in out-of-home care, reducing the number of children placed in state hospitals and reducing the use of restrictive levels of care for children. The augmentation should allow the Department of Mental Health to contract with three to seven additional counties to further promote integrated services for children.

INTEGRATION OF LONG TERM CARE PILOT

The Department of Health Services will work toward the goal of implementing a pilot project designed to consolidate and integrate the administration and financing of long-term care services. Key elements of the proposal include:

- ☐ Establishing pilots in one to four counties to test strategies to integrate long term care to achieve a continuum of care, including both institutional and home and community based programs that maximize resources and avoids duplication.
- ☐ Targeting Medi-Cal eligibles, who are 21 years of age or older, functionally impaired and unable to establish and maintain independent living.
- ☐ Maintaining individuals in the most independent, least restrictive and most cost-effective manner while allowing for client choice and quality of life.
- ☐ Pilot counties that would be responsible for the continuum of long term care services would be reimbursed at a prospective capitated rate and be at risk for the care required for the targeted population.

While there would be no short term budget savings from this proposal, over the longer term, cost effectiveness and improved services to clients should be enhanced as a result of reduced incentives to use institutional care, diminished opportunities to shift costs between payers, and less reliance on a cost-based reimbursement system.

COORDINATION OF SERVICES FOR PERSONS WHO ARE DUALY DIAGNOSED

The Department of Mental Health estimates that approximately 60 percent of the adults with serious mental illness also have an untreated substance abuse problem. Coordinated and integrated substance abuse services are essential to the proper treatment of this population.

The Departments of Mental Health and Alcohol and Drug Programs will be actively exploring methods to eliminate any barriers between the two systems at both the state and local level.

MENTAL HEALTH MANAGED CARE

Under the Mental Health Managed Care proposal, counties which elect to participate will receive the state and federal funds that would have been spent in the Medi-Cal program for mental health services. Counties will become Mental Health Managed Care Plans and accept responsibility for providing all in patient mental health services for Medi-Cal eligibles in their geographic area.

Mental Health Managed Care fosters the expanded use of preventive and rehabilitative treatment as an alternative to or prevention of hospitalization. Counties should be able to contain costs and redirect funds into additional community services, thereby developing more comprehensive, community-based services for persons in need.

TRIAL COURT - AFDC ALIGNMENT

A key to ensuring that programs are operated effectively and efficiently is to align funding responsibility at the most appropriate level of government. The Administration believes that a compelling argument can be made for a more uniform statewide court system. In addition, it is essential to increase the community's responsibility for ensuring that its citizens are productive members of society. The Governor believes that counties, which directly administer welfare programs, including education and training, are in the best position to work with business and community leaders in assisting families out of poverty. The Governor's Budget proposes to align state and county shares in the AFDC and Trial Court programs to better reflect these policies. In addition, the Administration believes that significant structural mandate relief for counties must be enacted, so that locally elected officials can best determine how to allocate local resources.

EXPANSION OF THE TRIAL COURT PROGRAM

In 1991, the Legislature enacted the Trial Court Funding Realignment and Efficiency Act, which increased state funding for trial courts to 50 percent of total court spending, and stated legislative intent that the state's support be increased by 5 percent each fiscal year, until it reached 70 percent in 1995-96.

In 1994, the Legislature enacted and the Governor signed AB 2544, which revised various aspects of the 1991 Act primarily by: eliminating the requirement for judicial sign-off of each county's trial court budget; providing that a county would not be financially responsible for any trial court costs in excess of the budget approved by the Trial Court Budgeting Commission; and, authorizing the Trial Court Budgeting Commission to reallocate funds up to 15 percent among trial courts. The bill continued legislative intent that the state provide 70 percent of the trial court funding in 1995-96.

The Administration continues to believe that the state should move toward state financial assumption of the majority of trial court functions. This transaction is warranted because of the compelling statewide interest in promoting the uniform application of justice throughout the 58 counties.

For the 1995-96 fiscal year, the Governor's Budget proposes total state and local support for trial courts, including judges' retirement costs, of \$1.8 billion, a 3.9 percent increase over the 1994-95 funding level. State support for trial courts would be funded at 70 percent of the total or \$1.3 billion. This transaction would save counties \$605 million.

Currently, local fines and penalties are collected at the local level and remitted to the state. Revenues have fallen far short of expectations due, in part, to the reduction in the local share of this revenue. The Governor's Budget proposes that the revenues currently remitted to the state be maintained at the county level. This would be a powerful incentive to maintain or increase the collection level. In 1995-96, revenues are estimated to be \$311 million.

Increasing the state support for trial courts and maintaining fines and penalties at the local level provide a total benefit to counties of approximately \$916 million.

Discussions will be held with the Judicial Council, the Trial Court Budgeting Commission and the Legislature regarding the ultimate scope of the state's responsibilities for supporting various trial court functions and the best method for allocating the state resources based on those responsibilities.

AFDC PARTNERSHIP

Currently counties fund five percent of the non-federal share of AFDC cash grants. This funding level is insufficient to compel communities to build programs which lead to increasing self-sufficiency for persons on aid. Increasing the county share to 50 percent of the non-federal share would foster increased emphasis on employment activities, thereby reducing welfare dependency. GAIN program reforms currently included in the Governor's Budget will also stimulate increased employment and self-sufficiency among AFDC recipients. Under this proposal, counties would pay an additional \$1.2 billion in grant costs.

IMPROVED COUNTY ADMINISTRATION EFFORTS

An important corollary of this change is an effort to improve county AFDC administration activities. The Department of Social Services will initiate an effort aimed at giving counties the necessary flexibility to achieve welfare program objectives. This proposal is consistent with the Administration's view that the state should participate in the formulation of policy and overall program objectives, and focus on results rather than day-to-day operations.

The Department will work with counties to further define areas where fiscal incentives or increased areas of flexibility would further the goals of reducing fraud and promoting self-sufficiency. The Department believes counties will respond to this framework by reevaluating the efficiency and effectiveness of their activities in a variety of areas. Examples include a possible reduction in error rates, increased activities to prevent, detect and prosecute fraud, a renewed emphasis on the transition from welfare to work, and improved coordination with the District Attorney's Office for child support collections. These activities will assure that resources are available to provide assistance to the truly needy.

The budget contains \$20 million, with no county share of cost, to assist counties in initiating efforts to improve county administration. These incentives, coupled with an increased county share of cost in AFDC grant expenditures, are estimated to result in AFDC grant savings to counties of \$70 million.

This proposal is consistent with Governor Wilson's belief that, as the State seeks improved flexibility from the federal government for states to administer entitlement programs, the states must ensure counties, acting as our agents, the flexibility needed to administer the AFDC program.

STRUCTURAL CHANGE FOR MANDATE RELIEF

The trial court and AFDC proposals discussed above result in a net cost to counties of \$241 million; however, the net impact could vary widely between counties. The Administration will work with counties, the Judicial Council and the Legislature to minimize the individual county impact.

However, these proposals cannot be viewed in isolation. A critical component of changing the state-county partnership is to enact structural changes that

A critical component of changing the state-county partnership is to enact structural changes that give locally elected officials the necessary flexibility to make funding decisions.

give locally elected officials the necessary flexibility to make funding decisions based on local needs and priorities.

GENERAL ASSISTANCE

Counties currently spend close to \$500 million for cash grants and administration of General Assistance, and have had little success in court in limiting their costs for this program. The Administration will propose legislation giving county boards of supervisors broad authority to determine what assistance they choose to provide and for counties that choose to continue a program, options to assist them in controlling program costs. Options will include extension of the shared housing reduction allowances that sunset on December 31, 1994; the ability to impose time limits on the duration of aid; authorization to include medical care as part of the benefit package; and, greater flexibility in the use of alternatives to cash payments.

Savings to counties would depend on board action to take advantage of available cost containment measures.

MAINTENANCE OF EFFORT RELIEF

Legislation will be introduced providing maintenance of relief in two areas - reductions in the Proposition 99/Realignment Health funding requirements and the Realignment Mental Health funding requirements as described below.

PROPOSITION 99

Proposition 99 requires that counties maintain a specified financial maintenance of effort, defined as realignment health funding with a county match, plus an additional amount based on what a county was spending for health services in 1988-89.

This proposal would allow counties to reduce the Realignment portion of the maintenance of effort by up to 10 percent. If all counties took this action, savings would approximate \$96 million.

MENTAL HEALTH REALIGNMENT

Through 1994-95, counties have the authority to reduce their maintenance of effort match payments for Realignment mental health money by up to \$15 million. This proposal would extend that authority to the extent it does not jeopardize the receipt of federal matching funds. It is possible that this could be expanded to provide maintenance of effort relief of approximately \$25 million.

OTHER MANDATES

With direction from Governor Wilson, the Administration has undertaken an aggressive review of all unfunded state mandates to reduce the unnecessary mandate burden on all local governments. Legislation will be introduced to repeal, simplify or amend unnecessary and/or obsolete state mandates.

BUDGET ISSUES AFFECTING COUNTIES

In addition, the Governor's Budget contains several program proposals which benefit counties. Significant issues include:

- ☐ AFDC net grant savings and administrative costs from Welfare Reform proposals at the existing sharing ratio—\$15.5 million
- ☐ Postponement of Group Home changes, cost avoidance—\$17 million
- ☐ Increased federal family preservation funds—\$9.7 million
- ☐ Implementation of EDS processing for CCS claims—\$.5 million in 1995-96; \$2 million ongoing
- ☐ Reduction of county overhead costs for state hospitals—\$11.5 million
- ☐ Final SLIAG local claims—approximately \$195 million, based on estimated federal allocations
- ☐ Legislation to bar sponsored aliens from receiving GA benefits for a five-year period.

With these savings and mandate relief proposals, counties will have sufficient flexibility to more than meet their share of cost for AFDC grants.

The Governor welcomes the support of the counties in identifying any other mandates they would support eliminating in an effort to increase their ability to locally determine spending priorities.

The State and counties must commit to the process of looking at the larger picture of how issues intertwine and affect both the State and counties as partners in providing services to the citizens of California. This proposal is an important step toward improving services and results for children and for families on public assistance and moving to a more coordinated, state-funded court system.

This proposal, in conjunction with the work underway by the Constitutional Review Commission, should forge a new partnership between the State and counties.

Controlling the Growth of Entitlement Spending

California participates in three major entitlement programs authorized under federal law—Medi-Cal, California's version of the national Medicaid program, Aid to Families with Dependent Children (AFDC) and Supplemental Security Income/State Supplementary Payment (SSI/SSP). Once a state decides to offer these federal programs, its ability to make changes, whether fiscal or programmatic, are severely restricted by federal laws and regulations.

The federal government has continually failed to take action to control costs or reduce excessive liability.

These three entitlement programs serve over six million Californians. In 1994-95, notwithstanding significant previous reductions, the cost to the State General Fund for these programs is estimated at approximately \$11 billion. This is almost 25 percent of the total state General Fund expenditures and represents 78 percent of all Health and Welfare General Fund expenditures. The high cost of these entitlement programs thwarts the ability of policymakers to redirect resources to invest in prevention and other, higher priority programs.

The chart *Entitlement Caseload Growth Since 1990-91* (absent policy changes proposed for 1995-96) dramatically illustrates that the growth in these programs, measured in terms of population change, has far outpaced the growth in the State's overall population.

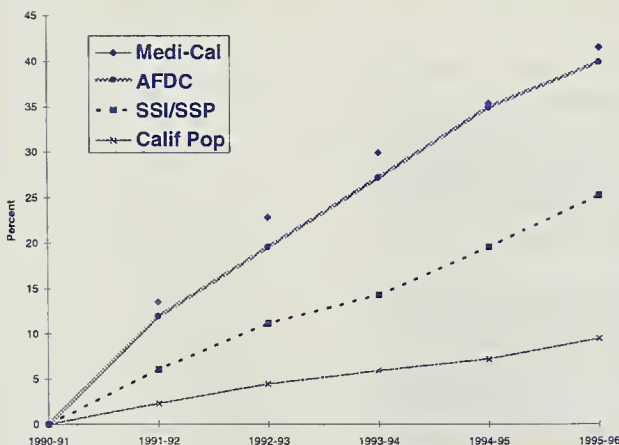
Part of the reason for this growth is the open-ended nature of entitlement programs—rather than being controlled through the budget process, the budget must conform to the demand for these programs.

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

AFDC provides cash assistance to persons with children who meet income and eligibility criteria. Estimated expenditures in 1994-95 are \$2.9 billion General Fund.

During the decade of the 1980s, California's AFDC caseload grew by 39 percent, a rate that exceeded

ENTITLEMENT CASELOAD GROWTH SINCE 1990-91



the State's population growth of 23 percent. From 1990-91 through 1995-96, the AFDC caseload will have grown an additional 40 percent while the population of the state will have grown 9.4 percent.

In federal fiscal year 1992, California had only 12 percent of the nation's population, but accounted for 17 percent of the national AFDC caseload and 26 percent of the national total AFDC expenditures. California currently has the fourth-highest AFDC grant among the 50 states and the highest grant among the ten most populous states. In 1995-96, an estimated 2.9 million people will be on aid, roughly 8.8 percent of California's population.

Nationally, based on federal fiscal year 1992 data, California spends more than four times the General Fund resources on AFDC than New York, the state which is second to California in terms of AFDC expenditures. California accounts for an estimated one-third of all states' General Fund expenditures for AFDC.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP) PROGRAM

The SSI/SSP program provides cash grant assistance to eligible aged, blind and disabled persons who meet the program's income and resource requirements. Expenditures for SSI/SSP in 1994-95 are an estimated \$2.1 billion General Fund.

During the decade of the 1980s, when the State's population grew by 23 percent, the State's SSI/SSP caseload grew by 14 percent, and total (state and federal) SSI/SSP expenditures grew by 96 percent. However, state General Fund revenues grew by 112 percent.

During the 1990s, these relationships have changed. While state population (from 1989-90 to 1994-95) has grown by 10.3 percent and General Fund revenues have grown by 9.3 percent, SSI/SSP caseload has grown by 26 percent and expenditures have grown by 35 percent.

The change being witnessed in California reflects a larger national trend. In 1994, 2.9 million additional adults and children are expected to apply for federal disability benefits from the Social Security Program or the SSI/SSP program, an increase of more than 80 percent from the 1.6 million who applied in 1989. With the addition of new caseload in 1994, federal and state payments are projected to reach \$63 billion in 1994, close to double the amount paid in 1989.

Exceeding these national trends, California has experienced a disproportionate burden in the SSI/SSP program. In federal fiscal year 1993, California accounted for 12 percent of the nation's population and 13 percent of its personal income. Nevertheless, California supported 17 percent of the national SSI/SSP caseload and accounted for 21 percent of national SSI/SSP expenditures.

California accounts for an estimated one-third of all states' General Fund expenditures for AFDC.

“Today, one out of every six Californians is expected to secure Medi-Cal eligibility.”

Moreover, because of the State’s generous supplemental payment, California alone spent 57 percent of all the SSP funds expended in the country.

Among the 10 most populous states, California has the highest dependency rate—that is, the proportion of its population receiving SSI/SSP benefits. In California (based on federal fiscal year 1992 data, the latest available), 3.1 percent of the population received SSI/SSP benefits, a dependency rate 19 percent higher than the next highest state (New York) and 53 percent higher than the 10-state average.

MEDI-CAL

Medi-Cal is California’s version of the national Medicaid program, under which persons who meet eligibility criteria are entitled to specifically defined health services.

In 1986-87, approximately one out of every nine Californians had established eligibility to receive Medi-Cal services. Today, one out of every six Californians is expected to secure Medi-Cal eligibility. California accounts for 14.8 percent of the national Medicaid recipients; the next largest state, New York, has only 8.4 percent of the national recipients.

“California spends double the amount of state expenditures on cash assistance programs than the national average.”

California accounted for over 14.3 percent of the States’ collective General Fund expenditures for Medicaid and almost 11.7 percent of total expenditures for Medicaid in federal fiscal year 1992. Medicaid has grown to the point that it accounts for more than 40 percent of federal grants to state and local governments.

Since 1986, when major federal Medicaid expansions commenced, annual Medi-Cal spending will have increased 135 percent through 1994-95. In 1994-95, expenditures for Medi-Cal are estimated to be \$17.3 billion, \$6 billion of which is General Fund.

FOCUS ON CHANGE

Based on the latest available data, California spends double the amount of state expenditures on cash assistance programs than the national average.

The reasons for the striking growth in these programs are varied. The federal government controls eligibility standards for these programs. Changes in federal law, therefore, can significantly impact costs. For example, beginning in 1987, Congress passed a series of Medicaid revisions that expanded eligibility for Medicaid. Federal legislation has required states to reimburse hospitals and nursing homes at rates that are “reasonable and adequate” to meet the

costs of “efficiently and economically operated” facilities. Instead of providing states with increased flexibility, this legislation has left states vulnerable to court interpretations of inadequate reimbursement.

Also, under federal law, drug addiction or alcoholism are impairments which allow a person to qualify for SSI/SSP. A 1991 report by the Office of the Inspector General indicated that there were approximately 20,000 individuals nationally diagnosed as drug addicts or alcoholics who were receiving these benefits. The report found over half of this caseload lived either in California or Illinois. Today, California alone has over 31,000 people with substance addictions in its SSI/SSP caseload, and the number has steadily increased by over 30 percent annually.

Immigration also has played a part in increasing costs in these programs. While immigration has increased nationwide during this time period, California has felt a disproportionate increase. As an example, almost 30 percent of the SSI/SSP caseload in California is composed of legal immigrants, primarily refugees. The growth of the children only caseload in the AFDC program is one of the most significant factors expanding the AFDC caseload in recent years. The largest portion of these cases is where one or both of the parents are illegal immigrants who are ineligible for aid. In 1995-96, the citizen children caseload is projected to grow to 14 percent of the total caseload and will support 255,881 children.

Social factors also play a role in increasing the burden of entitlement programs. For example, approximately 54 percent of the women currently receiving AFDC grants had their first child as a teenager. During the 1980s, the number of births to teenagers increased by 7 percent. During the 1990s, the birthrate for teenagers has increased by 8 percent. More dramatically, the proportion of teenage births to unmarried teenagers has increased from 44 percent during the 1960s to 73 percent today.

What is clear is that the primary driving force behind the growth in entitlement programs is not economic factors. Therefore, a recovery in the economy cannot be viewed as a primary solution for slowing or containing the costs associated with providing these entitlement programs. What is also clear is that California can no longer afford the spiraling costs of entitlement programs. These costs and restrictions compel change.

Governor Wilson will continue to aggressively pursue structural change of federal entitlement programs with the federal government. Whether it is through maintenance of effort requirements, restrictive waiver requirements or reporting requirements, the federal government is hampering California's

“What is clear is that the primary driving force behind the growth in entitlement programs is not economic factors... California can no longer afford the spiraling costs.”

ability to manage its own affairs. California has to scrutinize its own laws and regulations as well to ensure entitlement programs are being operated as efficiently and effectively as possible.

Only with structural changes to these entitlement programs can California focus its efforts and resources on the priorities of public safety, education, prevention services, and job creation.

Smarter Government

BACK TO BASICS

The people of California have spoken and their message is clear: Government should focus on those things that government does well, make them as efficient as possible, and otherwise remove itself from people's lives. In the past few years, the reassessment which this direction requires has been viewed as "reinventing" government. We prefer to think of it as getting back to basics—re-establishing the "core" business of government. That is precisely the exercise which corporate America has undertaken during the decade of the '90s, producing the most competitive companies in the world, and it is the process which government now must also commence. The result will be a better-focused, more customer-oriented government that respects its citizens and delivers necessary services in the most cost-effective way.

In his preface to the recent *BusinessWeek* special edition on "21st Century Capitalism," Stephen B. Shepard, the Editor-in-Chief of the magazine, notes:

"As this century ends, two great currents are running through the global economy: the Information Revolution and the spread of market economies nearly everywhere. While no one can predict how far this tide will carry us, it's clear that the world we'll live in a decade hence is rooted more than ever in the decisions we make today. Whether it's virtual banking, genetic forecasting, cities wired with fiber optics, shopping on the Internet, or learning to absorb a new class of white-collar professional, ... the framework of the next century is already in place."

It is particularly noteworthy that California has been a leader in each of the trends that Shepard cites as examples of 21st Century capitalism: California's Silicon Valley virtually defined the parameters of the Information Revolution, with its global networking and virtual organizations. California is the world headquarters for research in genetic engineering. And it is California, with its long-standing commitment to innovation and entrepreneurship, that is redefining professional service industries as a key component

of the global economy. As *BusinessWeek* observes, "Silicon Valley still leads the world in digital technology, the key to breakthroughs in everything from multimedia to genetic engineering."

California has weathered the post-Cold War transition and has emerged stronger and more competitive than ever. With a research and development capability and a skilled workforce that are unparalleled, and private sector management that has never lost sight of the basics of customer service, quality, and efficiency, California is destined to play as great a role in the 21st Century as it has in the 20th.

California State government, by committing to those same basic ideals of service, quality, and efficiency, will provide the social and economic infrastructure that will continue the State as the most dynamic and productive participant in the global economy.

In the following pages, we discuss getting back to basics—how State government can improve service and reduce costs by refocusing on its core responsibilities while employing techniques of modern management. The following pages present specific accomplishments and initiatives in (1) using information to improve delivery of government services, (2) why it is important to budget for performance, (3) strategic planning that leads to a customer orientation and a focus on higher productivity through establishing a competitive environment, and (4) how a business approach to procurement and asset management leads to more cost-efficient government.

Restructuring government is often a process of breaking down barriers of time and distance that separate government services from the people to be served.

THE INFORMATION-BASED GOVERNMENT

As State agencies respond to the social, economic, technological, and political challenges of the final decade of the Twentieth Century, information is the key. *Access to information, through both computers and telecommunications, is at the heart of the restructuring of government in California.*

The pace of technological change is dramatic. The amount of information that is available to business and the public is now doubling every four years, and we have long recognized that most of the services that government delivers to its people are information based.

Restructuring government is often a process of breaking down barriers: barriers of time and distance that separate government services from the people to be served; institutional barriers that prevent the coordinated delivery of public services by isolating State organizations from each other and from the public; business process barriers that tie agency operations to outmoded, inefficient practices; and knowledge barriers that bottle up essential information in inaccessible paper files and electronic databases. These and

other barriers are being removed through the thoughtful adoption of information-based strategies, coupled with a willingness on the part of State executives to make fundamental changes in program operations and management practices.

INFORMATION TECHNOLOGY

California has successfully made the transition from second and third generation computer technologies to fourth and fifth generation technologies. The State has progressed from mainframe-based, centralized systems to an installed infrastructure consisting of a full spectrum of systems, ranging from basic personal computer productivity tools to super-computer modeling of complex phenomena. This substantial progress has paralleled developments in the computer industry itself and has been remarkably free of problems, particularly when one considers that only recently have enduring standards and generally accepted management techniques for controlling highly decentralized technologies begun to appear.

Today, as the result of these accomplishment, State departments are:

- ☐ Treating information as a strategic resource, aligning their information strategies with their business strategies and including information managers as key members of the department's executive team;
- ☐ Creating systems to measure the effectiveness of their performance in the delivery of services to the people of California, in keeping with the State's move toward performance-based management;
- ☐ Justifying proposed systems in terms of their business case, their potential for enabling strategic improvements in program operations, and their contribution to the department's technical infrastructure;
- ☐ Exploring electronic service delivery options to make services available at times and in places that are convenient to the public;
- ☐ Empowering their knowledge and service workers by providing them with advanced information management capabilities, including expert systems;
- ☐ Linking individual workers, teams, and managers through local and wide area networks;
- ☐ Sending electronic mail throughout the State via an e-mail system that links more workers than the system of any other state;
- ☐ Entering into strategic partnerships with public and private organizations to explore new technologies, seek ways to integrate systems, and reduce the delays and costs of financial and business transactions; and
- ☐ Investing more in information technology than the next two states combined.

Information technology is transforming California State government. The technical infrastructure that California has created over the past decade is being used to transform departmental business practices. Not only are costs being reduced and the productivity of knowledge and service workers increased, but services are becoming more accessible to the public. Info/California, for example, which provides a wide variety of governmental services through electronic kiosks located throughout the State, is giving the people of California seven-day-a-week, 24-hour-a-day access to government.

CIO Magazine notes, "With public dollars scarce, [California] is increasingly turning to IT as a way to deliver services cost-effectively. Instead of being cut back, many services have actually been expanded, thanks to technology that lets citizens conduct transactions after-hours and from remote locations." (August 1993)

In the words of the United States General Accounting Office, "[California] has been recognized by peers and independent researchers for its progress in managing information and technology to improve service quality, reduce costs, and increase work-force productivity and effectiveness." [*Improving Mission Performance Through Strategic Information Management*, U.S. General Accounting Office (1994)]

The State is now able to employ information technology as its primary tool for responding to the social, political, and economic challenges of the concluding years of the 20th Century. Its past investment in technology is paying continuing dividends by helping departments maintain necessary levels of program services without having to undertake costly program expansions.

DEPARTMENTAL ACCOMPLISHMENTS

The following paragraphs introduce a number of departmental projects that exemplify the real accomplishments in information technology:

California Law Enforcement Telecommunications System

Every law enforcement and criminal justice agency throughout the State depends upon the Department of Justice California Law Enforcement Telecommunications System (CLETS). The primary vehicle for querying a variety of criminal justice data bases and communicating with the FBI's National Crime Information Center, CLETS now processes an average of 1.3 million messages each weekday. Through CLETS, police officers can perform criminal history record checks within seconds, even from their patrol cars.

The reliability of this "star wars" technology was tested during the major earthquake in Southern California—CLETS never went down. As expressed by

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a Department spokesperson, "CLETS is errorless, gives us increased redundancy, and provides the State a great deal of savings."

Computer-Assisted Dispatching

The California Highway Patrol is using computer-assisted dispatching to respond rapidly to highway emergencies. Using computer-generated maps that display major roads, the location of in-service Highway Patrol vehicles, and the incidents to which CHP officers currently are responding, dispatchers are speeding the CHP responses to emergencies by automatically determining the location of the nearest available officer, verifying the location of incoming calls, and referencing information regarding towing availability, emergency services, and road conditions. In an era of rapidly growing population, when call-boxes are supposed to make freeway travel less harrowing, this capability is reducing officer response times, facilitating interfaces with other agencies, and enhancing public safety.

The CHP is establishing additional dispatching centers at a variety of locations throughout the State, and expanding service at other sites. Enhancements include mobile workstations and patrol cars equipped with notebook computers. According to a system trainer, this statewide capability "makes it easier to keep track of incidents, officers, and information pulsing through the system. Ninety-nine percent of our users would not go back to a manual system."

Fire and Disaster Dispatching

The California Department of Forestry and Fire Protection (CDF), the second largest firefighting organization in the world, protects some 36 million acres of publicly and privately owned wildlands and administers local government fire protection under contract. The Department maintains an integrated urban and rural firefighting organization that responds to nearly 125,000 emergency incidents each year. Pulling together the resources to control even a medium-sized fire can be a monumental task, particularly when the Department is fighting a dozen other fires at the same time. "California is the most hazardous fire region in the world," says a Department official. "CDF is addressing the growing fire danger, in part, by automating some of its fire-related functions."

The Department has taken its efforts one step further through its use of InciNet, an automated version of the nationally recognized Incident Command System. Using InciNet, as many as 5,000 to 10,000 individuals, their equipment, and the required support supplies and materials can be dispatched to an incident site within a 48-hour period. By tying incident management to the dispatch centers responsible for the commitment of resources, the emergency management team very quickly gains control over the assigned resources. Explains a CDF spokesperson, "There was no other way that the 1994 Malibu Fire could have been managed."

Computer Aided Design and Drafting

Designing a State highway is very labor-intensive, involving dozens of engineers and draftsmen located across the State. Draft versions of the highway's architecture are reviewed and modified by several engineers and draftsmen in district offices, other engineers in the Department of Transportation's Sacramento headquarters, and private sector engineers under contract to the State. The logistics of moving the drawings hundreds of miles to many desks can add months to a highway construction project.

To reduce delays associated with "sharing" the work, Caltrans has been using Computer Aided Design and Drafting (CADD) in the planning, construction, and maintenance of more than 15,000 miles of highways and freeways. CADD allows computations and graphics to be interactively combined and electronically routed to the entire team, thereby permitting a continuous flow in the highway design process. Facilitated design leads to faster, better, and more economical highway projects and better roadways throughout California. As one Department spokesperson put it, "Without the workstations, we'd be hurting. We just couldn't do the job adequately without the system."

Bank and Corporation Tax System

The Franchise Tax Board is replacing its current Bank and Corporation system with a proven state-of-the-art system that has been installed in other state and local tax agencies. The Board will be provided with a fully operational tax system with greater functionality and the potential to generate additional General Fund revenue. By customizing an existing system, the Board is reducing project risks and accelerating benefits.

The project represents a unique opportunity within State government to test a new approach for implementing mission-critical systems without making commitments from existing General Fund revenues. Through its proposal to share in the project's risks by deferring compensation until expected revenues are realized, the vendor has greater incentive to ensure that the project is successfully implemented.

The project is expected to result in additional net revenues of \$202 million over six years, and a net financial benefit of more than \$103 million. Other benefits will include enhanced enforcement and audit capabilities, a better interface with other tax agencies, and additional sources of revenue.

This project is a good example of technology transfer at work in California State government. According to Board management, the technical expertise provided by the partnership will enable the Board to accelerate its information technology plan by five years. "Together we built an optimized solution to a business problem. This project represents a true public/private partnership and a new way of doing business for the State. We will get positive cash flow right out of the chute"

Statewide Integrated Narcotics System

In June 1990, a Fullerton police detective was killed during an undercover narcotics buy, abruptly terminating a two-week investigation of a major cocaine trafficking organization in Los Angeles. Even after two weeks of investigation, the officers involved in the undercover operation were unaware of the violence potential of the suspects. This incident points out a major weakness in law enforcement's war on drugs - crucial information is scattered among the paper files of many different enforcement agencies in multiple jurisdictions.

This is changing, however. Through its Statewide Integrated Narcotics System, SINS, the Department of Justice is meeting the information needs of its narcotics intelligence, narcotics enforcement, and drug analysis functions, as well as those of law enforcement agencies throughout the State. Described by *Government Technology* newspaper as "a revolutionary development in communication between jurisdictions," the system supports statewide communications, intelligence and case management, photograph imaging, geographic mapping and graphical information, and drug analysis all rolled into one. These systems employ the latest technology in fighting crime to visually identify in-progress operations, and to provide rapid access to central data bases on drug offender profiles and criminal associations even from mobile vehicles at remote locations.

Other states, such as Oregon and Washington, are reportedly watching the system carefully. According to a San Diego and Imperial County Narcotics Information Network official, "It's at the leading edge of what is planned all over. Other [states] are looking at how they can bring it to bear." Adds an official of the Los Angeles County Regional Criminal Information Clearinghouse, "SINS is the promise of technology fulfilled."

BUDGET PROPOSALS

The Administration continues to invest in modernizing and re-engineering government operations. During the past four years, the Office of Information Technology and the Department of Finance have approved new and continuing information technology projects whose life-cycle costs approximate \$2.2 billion and whose direct benefits, beyond better service and higher quality, are more than \$3 billion. This year alone, the Governor's Budget proposes more than \$80 million in new and redirected funding for high-priority automation and communications projects. Among the high priority systems are:

Violent Crime Information Network

Sexual predators, gang members who kill innocents in drive-by shootings, arsonists who destroy property and threaten lives for pleasure or profit, carjackers who will kill for a joy ride — all will be the targets of the Department of Justice Violent Crime Information Network (VCIN).

The network and data bases established through this \$3.6 million project will allow all available information resources to be applied to the problem of

developing leads and locating suspects in violent crime cases. It will enable analysts with expertise in child abuse, missing persons, child abductions, sex offenders, and other information resources to share their findings and make contributions easily and quickly. The planned VCIN will have both FAX and digital transmission capabilities, allowing the immediate and widespread transmission of photographs, posters, source documents, and offender profiles. The network will enable local law enforcement agencies to access records listing offenders and missing persons, as well as graphic files sorted by geographic location, method of operation (MO), and a variety of other subject categories. This network will provide law enforcement agencies with the most potent information resource ever developed to assist in the identification, tracking, and apprehension of violent criminals.

Access to information about violent offenders

A large proportion of sexual assaults, kidnappings, and homicides are committed by a relatively small number of violent, repeat criminals. Because these offenders continue to prey on their innocent victims, California, like 23 other states, has a registration requirement for those convicted of felony sex offenses. California registrants currently number some 64,000 persons, about 70 percent of whom have been convicted of offenses against children.

Registration information regarding these child molesters until now has been available only to law enforcement and investigative authorities, who use the information to find child molestation suspects after the fact. New legislation (the Child Protective Act of 1994; AB 2500) allows broad public access via a '900' telephone number to the identities of these sociopaths, whom study after study has demonstrated are highly recidivistic. Members of the public will be able to call the Department of Justice directly to determine whether a specific individual has ever been convicted as a sex offender.

This program will:

- ☐ Empower parents to protect their children from exposure to persons who might do them harm;
- ☐ Remove restrictions from law enforcement officers that prevent them, even for public safety or investigative purposes, from revealing that certain persons are registered sex offenders; and,
- ☐ Deter sex offenders from preying upon children by increasing public awareness of their whereabouts.

"This network (VCIN) will provide law enforcement agencies with the most potent information resource ever developed to assist in the identification, tracking, and apprehension of violent criminals."

Initially funded at \$105,000, this important new violent-crime prevention program is intended ultimately to be self-supporting.

Collection of parents' Social Security numbers on birth certificates

As part of the intensified federal and state efforts to locate absent parents in cases where child support enforcement actions are necessary, California will be collecting the Social Security numbers of both parents during the birth registration process. The Department of Social Services (DSS) estimates that the availability of this information in conjunction with the recently established paternity affidavit program will yield annual savings to the State and Federal government of approximately \$45 million in reduced costs for Medi-Cal, welfare, and child support enforcement.

The Department of Health Services (DHS) Center for Health Statistics is responsible for collecting and reporting information to DSS and to county district attorneys. This two-year, \$307,000 project administered by DHS will fund necessary modifications to manually prepared birth certificate forms and to enter data into the Automated Vital Statistics System (AVSS), which is currently used in more than half of the local registration districts and over 300 hospitals. AVSS is owned and maintained by the University of California, Santa Barbara.

The California Economic Diversification and Revitalization (CEDAR) Project

Whether you are an individual whose job is in jeopardy as the result of defense cutbacks, a city employee seeking ideas and support in responding to the challenge of a local base closure, or a defense-related company looking for new opportunities to turn a well-established production capability to civilian markets, CEDAR, the California Economic Diversification and Revitalization program, will help.

Funded in part by a Federal grant to the California Trade and Commerce Agency and developed and managed by the California State Library, this 18 month program will provide an electronic link to national defense conversion and economic development databases, federal and state program information, university and federal laboratory technology transfer networks, and regional and community databases. Individuals will be able to access CEDAR using their own personal computers with an Internet connection or one of the nearly 200 Internet workstations that will be placed in California public libraries as part of the State's contribution to the program. Government agencies and private sector organizations will also use Internet access to participate in the program.

In announcing the U.S. Department of Commerce grant for the program, Governor Wilson said, "This grant will help implement key elements of our defense conversion strategy".

Compliance Automation

Compliance automation is the first project identified by the Employment Development Department's (EDD) Compliance Automation Project, which was initiated to analyze the business processes within the Central Collections Division and identify, prototype and test automation solutions.

This project's successful prototype employed personal computer workstations to communicate with mainframe systems, extract information from the mainframe data base, integrate the information with word-processing and spreadsheet applications for producing letters, notices and statistical reports.

When fully implemented, the project should:

- ☐ Increase the number of closed delinquency cases annually by 5,400, or 23 percent;
- ☐ Increase revenue collected annually by \$10 million in 1994/95, \$25 million in 1995/96, and \$50 million annually thereafter;
- ☐ Reduce the annual program personnel requirements by 123 personnel years;
- ☐ Reduce the three to six months spent training new compliance staff to one month;
- ☐ Avoid extra postage costs associated with handwritten documents;
- ☐ Improve external customer service by providing automated applications that uniformly apply policies, procedures and laws; and
- ☐ Improve internal customer service and empowerment by providing compliance staff with hardware and software that is easy to use, enhance and maintain.

The six-year project is estimated to cost \$14 million. As a result of this expenditure, program workload will be accomplished with 123 fewer PYs, producing a net project benefit over the project's six-year life of \$230 million.

The Medi-Cal Managed Care Management Information System

The Department of Health Services (DHS) is moving more than 2 million additional Medi-Cal beneficiaries from a fee-for-service system to a managed care system, in order to improve the quality and accessibility of health care and to better control health care costs. Managed care is a planned, comprehensive, coordinated system for providing timely access to preventive and primary health care at capitated rates. By 1996, DHS expects that approximately \$3 billion will be spent for health care coverage for 3 million beneficiaries under managed care plans—approximately 55 percent of the total Medi-Cal caseload.

The \$12.3 million DHS project will implement a comprehensive and integrated managed care information system for all managed care plans, including managed care initiatives, mainstream plans, health care plans, and local health initiatives. The system will enable DHS to monitor the plans, set capitation rates, assess the quality of health care provided to Medi-Cal recipients, and evaluate health care costs.

FUTURE DIRECTIONS

Executive Order W-88-94 created the Governor's Task Force on Government Technology Policy and Procurement in 1994, with the goal of better integrating "best practices" in technology management from the private sector into the public sector. The Task Force submitted its report and recommendations on September 12, 1994, calling for significant change in long-standing state policies in procurement, personnel, budgeting, and other factors related to technology management.

Governor Wilson endorsed the findings of the report, including a proposal to eliminate the Office of Information Technology in favor of a State Chief Information Officer (CIO). The CIO would be responsible for redesigning state technology practices, reducing risk resulting from management of technology projects, and improving customer service and efficiency for taxpayers.

The Governor proposes to hire a State Chief Information Officer early in 1995, who shall serve as a senior member of his administration. Upon appointment, the first Chief Information Officer will be responsible for design of the Office of the State Chief Information Officer which will, by July 1, 1995, inherit the technology policy, planning, standards writing and coordination responsibilities of the Office of Information Technology.

Funding for this initiative will be provided through redirection of existing state resources. Prior to the 1995 State budget revision in May, the CIO shall present a fiscal plan for the full implementation of this office and its operations for review and concurrence by the Legislature.

PERFORMANCE BUDGETING

In 1993, the State of California began a fundamental shift from traditional workload budgeting to performance-based budgeting. While the State's traditional budgeting process operated well during times of increasing State resources, it has become seriously dysfunctional in recent years as revenues have declined.

Performance budgeting allocates resources based on an expectation of performance levels, where performance is measured in specific, meaningful terms.

It focuses on outcomes, rather than inputs or processes, in deciding how to allocate resources. For example, under the traditional budgeting approach, the number of parks managed by the Department of Parks and Recreation and the number of State Park employees are *input* factors in determining the Department's budget. Alternatively, under performance budgeting, the level of satisfaction expressed by visitors to State parks could be one of a number of *outcome* measures. Visitor satisfaction might be determined by a simple survey of park-goers, with the results providing an indication of how well the Department is carrying out its responsibilities to the people of California.

Performance budgeting, aimed at bringing more responsibility and economy to state government, ties funding levels directly to cost savings, customer service, and management responsibility. Unlike traditional workload budgeting, where managers who discover new ways of delivering services at lower costs often find their budgets reduced, managers in the performance budgeting program can be awarded for innovation.

Performance budgeting requires budget writers and program managers to determine the best method for maximizing program performance and enhancing service delivery, given a realistic level of available funding. The essential elements of performance budgeting include:

- ☐ An emphasis on long-term strategic planning;
- ☐ Development of performance measures;
- ☐ Benchmarks for operational efficiency;
- ☐ Annual budgetary contracts;
- ☐ Operational flexibility;
- ☐ Incentives for performance and efficiency; and,
- ☐ A commitment to quality improvement.

Performance budgeting is not a new concept. The City of Los Angeles implemented a version of this approach in the early 1950s. Recently, however, there has been renewed interest in this budgeting approach at both the state and federal levels. According to the National Conference of State Legislatures, roughly half of the states in the nation are involved to some degree with performance budgeting.

California's leaders, in particular, believe that performance budgeting can result in substantial cost savings, improved program performance, enhanced citizen satisfaction, and greater accountability. Accordingly, in 1993, the Administration established performance budgeting pilot projects in four departments. The Legislature responded to the Governor's initiative by enacting the Performance and Results Act of 1993, which authorized continuing efforts to implement such projects. In the words of the Act, "The Legislature has an interest in

improving the delivery of governmental services through the use of strategic planning and performance measurement. Strategic plans and budget contracts will provide managerial accountability and flexibility to state agencies and departments that participate in a performance budgeting pilot program.”

The Department of Parks and Recreation and the Department of Consumer Affairs have successfully negotiated performance-based budgets with the Legislature for the 1994-95 fiscal year.

Department of Parks and Recreation

In 1992, the Department of Parks and Recreation began a comprehensive strategic planning process to articulate a business vision for the 1990s. The process, involving all levels within the Department, set the stage for the Department's participation in performance budgeting. Strategies linked to key goals provide the basis by which divisions and districts can develop meaningful implementation tactics.

The Department's performance measures broadly state the tactics to be included in performance agreements throughout the Department. These performance measures directly relate to the Department's goals of resource preservation, customer service, financial responsibility, and organizational efficiency. Development of a resource inventory/monitoring system, completion of a statewide visitor satisfaction survey, and development of a public safety data base are but a few of the Department's performance measures.

The Department has a Memorandum of Understanding, or performance budget contract, in place for the current year, and is developing its proposed performance budget for 1995-96. During its first year in the program, the Department's emphasis has been on development of a new database infrastructure and definition of programs in terms of measurable outcomes. In subsequent years, the Department will match specific program dollars to expected results. By 1996-97, the Department's entire program will be expressed in terms of input, or budget, and output, or results. In describing the program, the Department Director explains, “This program allows us to process our contracts, acquisitions and procurement documents in a more expeditious and cost-effective manner, while providing performance measures that the Department must meet.”

Department of Consumer Affairs

The Department of Consumer Affairs has completed its baseline performance measures which indicate how the Department is currently operating. The Department will be completing its target performance measures during the current year. In 1995-96, the Department plans to begin meeting its target measures and evaluating the preliminary results. It also plans to establish a one-stop licensing application process for the five participating programs, and to review two of the five programs to determine whether they should be continued, modified, or eliminated.

By 1995-96, the Department will have developed a market condition index (MCI) for each of the five participating programs. The MCI, a measure of the quality of services provided by the Department, will be created from surveys of consumers and regulated industries, reviews of available departmental and industry data, and departmental representatives acting as consumers in evaluating the quality of the work provided.

Through the performance budgeting program, the Department is collecting and evaluating information that heretofore has not been collected. Furthermore, the Department will be accounting for costs in a manner which will provide better information regarding the costs of specific activities. This information will be used to improve the overall quality of services provided to the public.

The following departments are also participating in the performance budgeting program:

Department of General Services

As part of its performance budgeting pilot program, the Department of General Services has developed a strategic plan that addresses 23 of its major operating units. The Department also reached agreement with the Department of Finance and the Legislature on a performance budget contract. The contract, which is in effect for 1994-95, committed the Department to develop performance measures for each office and to gather and report data on baseline performance.

Currently, the Department is working with each of the 23 offices to develop quantifiable objectives, or performance targets, for the short-term (1-2 years), mid-term (3-4 years), and long-term (5 years or more). For each objective, the Department will develop or refine performance measures. In keeping with the Department's customer focus, its performance measurement indicators will reflect reduced and competitive costs, responsiveness, and quality. The Department expects to include its performance measures in its 1995-96 contract with the Legislature.

In the meantime, the Department will continue to gather performance data, conduct benchmarking studies, and report performance data as required by its current performance budget contract. For the next fiscal year, the Department will begin to develop automated data collection and reporting tools and systems, reengineer its business processes in light of its benchmarking efforts, and, most importantly, develop a model that links its performance to its budget for 1996-97.

Department of Toxic Substances Control

The Department of Toxic Substances Control is undertaking a performance-based budgeting effort to improve the efficiency of the organization, increase the accountability of managers and staff, recognize and reward outstanding performance, and maximize the use of limited resources. Through its

commitment to strategic planning, the Department is defining program objectives and associated performance measurement criteria that clearly demonstrate the amount, quality, and efficiency of work being performed. The Department's performance objectives include eliminating its permitting, enforcement, and site mitigation backlogs; providing industry with a comprehensive set of compliance tools; enhancing market forces as a compliance inducement; and demonstrating cost savings to industry through pollution prevention.

The Department's integrated strategic planning and performance-based budgeting system, initiated in spring of 1994, will enable the Department to be more responsive to the Legislature, regulated businesses, the public, and environmental groups. The Department's strategic plan, completed in September, is currently undergoing extensive review by department staff, as well as a large number of external stakeholders. The Department anticipates entering into budget contract negotiations with the Legislature for 1995-96. However, this timetable may shift due to significant revenue shortfalls and the need to review program priorities.

The California Informational Retrieval System, the Department's accounting system, will be a key tracking element in its performance budgeting effort. The system has also been selected as a pioneer project in the Governor's Quality Partnership Program.

California Conservation Corps

Governor Wilson, in Executive Order W-62-93, called for the California Conservation Corps to enter the performance-based budgeting program in 1994-95. To date, the Department has completed an environmental assessment, identified critical issues, and prepared a strategic plan. Eighteen employee focus groups were involved in the environmental assessment. According to the Special Assistant to the Director, "One of the keys to our success is that we have been very inclusive. A good 40-50 percent of our staff participated on the focus teams. We are driven to succeed in our performance budgeting efforts."

The Department is currently developing performance objectives and measures, developing a benchmarking performance plan, and analyzing its data systems capabilities, and anticipates entering into budget contract negotiations with the Legislature in early 1995. The Department's performance objectives will likely relate to such areas as customer satisfaction, corpsmember skills, and fire and emergency response capabilities. Its performance indicators will assist the Department in developing goals, objectives, and priorities; identifying and evaluating required resources; evaluating the impact of programs and services on constituents; and allocating increasingly limited public resources among competing priorities.

Performance budgeting, along with reorganization of the Executive Branch and expanded use of information and communications technologies, is a key component of the Administration's strategy to streamline and modernize State

operations in light of the fiscal realities facing the state. Explains Governor Wilson, "It's time to replace a budgeting system based on funding entitlements with one based on results. Time for a system that rewards, not punishes, innovation. Time for a system that allows our employees to work with you rather than process paperwork." Continues Wilson, "This will be a leaner government, dedicated to results and not process."

STRATEGIC PLANNING

This budget continues the Administration's emphasis on strategic planning as a fundamental tool of government and affirms the essential relationship between strategic planning and delivered performance.

Strategic planning is a response to the need for fundamental change in the day-to-day business of government. Its purpose is to create a context for change, build necessary commitment and ownership of the change process, and ensure an appropriate balance between stability and innovation as departments seek more cost effective ways to deliver public services. California's growing commitment to strategic management is clear evidence of its determination to meet the challenges of the 21st Century.

As discussed above, performance budgeting, along with performance reviews, focuses on measurable improvements in the delivery of services to the people of California and aggressive control of both costs and bureaucratic red tape. Thus, strategic planning provides the vision and performance management provides the tools for making government work in a rapidly changing society.

In order to ensure that state agencies tightly link their strategic plans with measurable improvements, Governor Wilson signed AB 2711 requiring that the Department of Finance survey the status of strategic planning in state agencies and identify the agencies that will most benefit from strategic planning. These agencies will be required to develop strategic plans. The widespread employment of strategic planning in California State government will also support the expansion of performance budgeting to additional agencies and a program of formal performance reviews.

To conduct performance reviews, the Governor has formed a task force consisting of the Department of Finance and the State Controller's Office. The task force will assess state programs for their economy, their effectiveness and their compliance with legislative responsibilities. Potential areas for review may include regulatory reforms, simplification of the state contracting process, review for duplication of activities in state departments, and improvement of information management. This activity will strengthen the performance audits already conducted by Finance, and will make excellent use of the Controller's expertise in evaluating disbursement systems.

"Strategic planning is a response to the need for fundamental change in the day-to-day business of government."

Parks and Recreation — strategic planning as the foundation for fundamental change According to the Great Law of the Iroquois Confederacy, “In our every deliberation, we must consider the impact of our decisions on the next seven generations.” This Native American credo supplied the title adopted by the Department of Parks and Recreation (DPR) for its strategic plan—“The Seventh Generation.” It is appropriate because DPR is employing strategic planning as one tool in a change process that will impact the management of California’s parks for generations to come.

As one of the original participants in the performance budgeting trial and an organization that is consciously renewing itself in response to the challenges of the 21st Century, DPR has made its strategic vision the foundation of systematic changes ranging from the removal of an entire layer of its management hierarchy to the departmental implementation of total quality management.

In recent years, the Department has had difficulty generating the revenue necessary to replace reductions in General Fund support. Each year, monies from funds within the Resources Agency have been used to temporarily maintain the budget at a level that would prevent park closures. Strategic planning will assist the Department in making a thorough analysis of its financial support structure and determining the park system which these funds can sustain.

Department of Water Resources — interaction between business and information strategy The Department of Water Resources (DWR) supports one of the most diverse information management programs in California State government. Its uses of information technology range from monitoring the flow of water through California’s dauntingly, complex, distribution system to the projection of future demands on that system. Virtually every aspect of departmental programs employs technology. Accordingly, like many other departments, DWR used its well-articulated business strategy as the point of departure for its information strategy. In doing so, they help ensure that their information infrastructure will be able to support future program requirements. In the words of their information plan, “A clear vision for the use of information technology and an overall framework of policies are essential to maintaining a planned and well-managed information technology environment. Rapid changes in hardware, software, communication, and human resource skills are the norm... Moreover, there is an increasing emphasis... on the need for corporate data and the need to manage and share them across the organization.”

The Strategic Tax Partnership — creation of a shared multiagency vision. Executives and senior managers of the Franchise Tax Board, the Employment Development Department, and the Board of Equalization are working together to create a strategic vision for the State’s business tax systems. The purpose of this strategic tax partnership is to create an enduring alliance for change that will result in an increasingly convenient, effective, and streamlined tax system that is delivered seamlessly to customers in an efficient and fair manner. Working groups are exploring opportunities for improved interagency coordination, process simplification, and better communications between the State and

business taxpayers, as the three departments plan for the functional integration of the State's business tax systems.

Whether it be a vehicle for enabling fundamental change in a single department, a means for ensuring that information technology continues to support a department's evolving program requirements, or the context within which several departments can come together to define a common response to an important public need, strategic planning is a key element of the State's commitment to a new vision of government.

The benefits of strategic planning. Departments employ strategic planning as a fundamental management tool because it provides multiple benefits in a challenging, dynamic environment. These benefits include:

- ☐ Comprehensive and authoritative multi-year statement of its commitment to the people of California in the expectation of new demands for services, new opportunities for service delivery, and continuing limitations on resources.
- ☐ A strategic vision — a map showing the best path to their accomplishment.
- ☐ Linking the organization to its environment and helping to ensure that it will be able to respond to social, economic, and technological changes.
- ☐ Finally, a tool for fundamental change which provides an entry point for new methods and technologies.

The essential relationship between strategic planning and performance-based management is at the heart of this Administration's commitment to service, quality, and economy in the management of public programs.

COMPETITION

Everywhere old monopolies are being dismantled, long-entrenched bureaucracies are facing real competition and generally are losing the battle.

The biggest winners in this new era of competition are the customers who now have alternatives. Performance improves as costs decline whether the monopoly that is opened to competition is private or governmental. To achieve these desirable ends, much greater share of government services should be based on fair and open competition among providers.

In March 1992, Cal-Tax took a fresh look at this issue. They asked the following question, "Is it realistic for government monopolies to provide services which can be more economically purchased from the tax-paying private

*...the very goal is to maintain
may be viewed as competitive
pressures in the delivery of ser-
vice by establishing the proper
balance between services pro-
vided by the state and those pro-
vided by the private sector.*

sector?" After reviewing study findings, public labor opposition and the State civil service context, Cal-Tax concluded that where services can be more economically provided by private employers, they should be given the opportunity.

The state needs to maintain market-oriented competitive pressures in the delivery of services by establishing the proper balance between services provided by the state and those provided by the private sector.

GOVERNMENT EFFICIENCY

Governor Wilson shares the view of California taxpayers that government should provide quality services at economical prices. Throughout recent years, governments the world over have relearned the lesson that quality and economy are best produced by market based, competitive economies.

Paradoxically, the State of California is prevented from pursuing such competition by laws and regulations that are decades old. The highly visible, competitive public contracting process now accomplishes the objective these regulations were designed to achieve: prevention of favoritism in contracting and employment. These outdated legal constraints actually prevent the State of California from choosing the lowest cost provider of services.

To rectify this problem, the Governor will pursue a two part program to spur innovation in the provision of government services:

1. Introduce legislation to amend state law and the Constitution to eliminate barriers to competition in the provision of government benefits and services.
2. Direct the Secretary of the State and Consumer Services Agency to invite proposals from any individual, company, non-profit organization, or other entity that can result in greater competition in the provision of state services or benefits. Proposals judged to have merit will result in a public bidding process, consistent with procurement law and the State Administrative Manual, to determine the lowest cost provider of services.

Competition can be enhanced only if certain changes in government operations are instituted. First, the State must be freer to use private firms to deliver services, under contract, for which the State is ultimately responsible. Currently, most state departments contract for many support or housekeeping functions, such as security, food services, and janitorial services.

Second, the State must reconsider the requirement that bidders pay prevailing wage. Competition is about getting the best available service at the lowest cost. Artificial barriers to competition, including specified wage require-

ments, work against government efficiency and eliminate otherwise qualified providers (including minority and women owned businesses) from competing for State contracts.

QUALITY PARTNERSHIPS

The public's growing disenchantment with all levels of government has prompted great interest in "Quality," a management approach that many public and private organizations are using to win back their customers and ensure their survival. *Quality*, in the parlance of today's ever-popular Total Quality Management (TQM) philosophy, refers to emphasizing customer service and redesigning work systems to make them more responsive to customer needs. Most practitioners have found that the best ideas for improving work systems come from the employees themselves, so quality efforts empower line personnel, giving them more discretion over how they do their jobs if they can increase customer satisfaction.

In keeping with this philosophy, the Governor issued an Executive Order in 1993 encouraging state departments, boards, and commissions to adopt quality management philosophies and practices. The Executive Order also established a Governor's Quality Task Force and pioneer, or pilot, projects in volunteer departments. As Governor Wilson stated in his 1993 State of the State address, "At a time of ever-tighter budgets, there can be no excuse for waste. No excuse for putting process before results. And no excuse for not treating taxpayers like valued customers. This task force will empower Californians working on the line in public service to make improvements. We must design government to serve the public, not force the public to fit the government."

Under the State's Quality Partnership program, pioneer projects are implemented by small teams formed within or across departments to analyze and measurably improve work processes critical to the department's core business. Departments implementing pioneer projects may request dispensation from existing regulations, within legal limits, to obtain the necessary flexibility to implement their projects.

The first Pioneer Project Applications were issued in August 1993. The Governor's quality staff and corporate volunteers selected 27 pioneer projects from more than 40 applicants. Pioneer projects selected were those judged to have a good chance of achieving results—reducing backlogs or response times, cutting errors and rework needs, or improving customer satisfaction—in a period of nine to twelve months.

Quality refers to emphasizing customer service and redesigning work systems to make them more responsive to customer needs.

The pioneers represent a wide variety of departments, boards, and commissions:

- | | |
|--|---|
| <input type="checkbox"/> Department of Aging | <input type="checkbox"/> Department of Mental Health |
| <input type="checkbox"/> Agricultural Labor Relations Board | <input type="checkbox"/> Department of Health Services |
| <input type="checkbox"/> Department of Corporations | <input type="checkbox"/> Department of Motor Vehicles |
| <input type="checkbox"/> Department of Economic Opportunity | <input type="checkbox"/> Department of Parks and Recreation |
| <input type="checkbox"/> Employment Development Department | <input type="checkbox"/> Department of Personnel Administration |
| <input type="checkbox"/> Environmental Protection Agency | <input type="checkbox"/> Department of Rehabilitation |
| <input type="checkbox"/> Franchise Tax Board | <input type="checkbox"/> Student Aid Commission |
| <input type="checkbox"/> Department of General Services | <input type="checkbox"/> Toxic Substances Control |
| <input type="checkbox"/> Statewide Health Planning and Development | <input type="checkbox"/> Department of Transportation |

Pioneer Projects currently underway range from improving the timeliness of utility payments for low-income households to tracking the cost of toxic clean-ups to reducing the incidence of employee injuries. Thus far, four of the pioneer projects have reported a savings of more than \$1 million. Improvements in cycle time and customer satisfaction, hallmarks of these types of projects, have been realized.

The Governor's Executive Order gave an impetus to a large number of departments to initiate or expand Quality programs. Many departments and individual programs, beyond the pioneer projects, are currently involved in the Quality effort. And "hearing the voice of the customer" is increasingly important as departments reach out to their clients through customer surveys and market testing.

The Department of Personnel Administration has established the Office of Statewide Continuous Improvement to assist interested departments in implementing a Quality program. Support includes consulting and training referrals, seminars, and assistance in beginning a Quality implementation.

PROCUREMENT

As a key element of Governor Wilson's plan to improve state government operations, the Department of General Services' Procurement Division has undertaken a massive overhaul of the State's procurement system, and is creating a state-of-the-art system that will allow agencies to operate more efficiently with higher quality, lower cost and more timely delivery of goods and services.

Numerous procurement practice improvements are being implemented:

- ❑ Complicated bid specifications, which vendors must meet to qualify for State business, were reduced by 54 percent.
- ❑ The California Multiple Award Schedule, initiated in May 1994, allows State agencies to purchase goods and services from pre-approved, pre-negotiated product schedules. The Multiple Award Schedules are expected to improve small and minority business access to the State procurement system.
- ❑ Material Service Operations in Sacramento and Fullerton reduced order-to-shipment time of warehouse goods from six weeks to 24 hours.
- ❑ Credit cards will be available to state agencies in early 1995, allowing immediate purchase of small-value goods.
- ❑ Maximum blanket delegations to state agencies for commodity purchases were increased to \$15,000 in order to reduce the time to obtain items under this amount.
- ❑ Procurements based on "best value" are now standard practice for complex, integration acquisitions, helping the State receive high-quality performance at competitive prices.
- ❑ Public-private partnerships that allow agencies to take advantage of private sector technical and process expertise are used to procure complex technology and telecommunications products.

Procurement innovations contribute to California's economic development by increasing private sector competition for state business and by providing greater access to the State marketplace for small and minority and women-owned businesses. Reduced prices resulting from greater competition and lower operating costs could save California taxpayers as much as \$200 million annually.

In another matter significant to procurement reform, the Governor will soon issue an Executive Order directing the Department of General Services to pilot test alternative dispute resolution methods and practices. Reform in this area will shorten the time consuming, expensive protest process. The first pilot test will evaluate the effectiveness of non-binding arbitration as a dispute resolution technique.

Procurement innovations contribute to California's economic development by increasing private sector competition for state business.

ASSET MANAGEMENT

The State's asset management program has become a national model for intelligent facilities planning in the public sector. To implement the plan, Governor Wilson directed State facilities personnel to inventory state assets, cooperate among agencies, prepare long-range plans, consolidate, refinance or renegotiate real estate contracts and privatize.

The overall goal of the asset management program is to reduce facilities costs by 25 percent and to provide better facilities for state workers. The program is achieving its objectives in virtually every regard with each element expected to contribute its share to the 25 percent cost reduction goal. Already, the State has seen the first decline in overall office occupancy costs since World War II.

Among the unique accomplishment in real property management are:

- ☐ A comprehensive inventory of the real estate that the State owns or controls has been developed. The inventory includes 18,000 assets summarized from 174,000 sources, and is updated daily.
- ☐ State agencies are sharing real estate plans and information through regular meetings of the Asset Management Coordinating Council and the efforts of the Governor's Office of Asset Management.
- ☐ Comprehensive 5- to 20-year projections of future office space needs are being developed.
- ☐ Regional facilities plans, based on these projections, provide long-term strategies for securing and financing office space — plans which could save over \$100 million in annual leasing and occupancy costs.

In the Bay Area, the regional plan calls for a master development program to replace earthquake-damaged buildings, renovate historic structures and create new state facilities in the San Francisco Civic Center, downtown Oakland and at regional state service centers in the East Bay and on the Peninsula. This program is projected to reduce occupancy costs by 35 percent and create almost 10,000 new private-sector jobs. Contracts for major office facilities in downtown Oakland and San Francisco were awarded in 1994 through innovative private-sector "design/build" competitions. Construction will begin in 1995.

The Los Angeles regional plan will reduce space demand by 21 percent, cut costs by 25 percent, and help revitalize the historic civic center by re-using existing buildings which are available at very attractive prices. The plan also calls for consolidations of state space in other commercial centers such as the San Fernando Valley, East Los Angeles, South Central and the west side. The downtown consolidation plan has been heralded as one of the most significant historic preservation projects in California.

history. It will be implemented through private-sector design and construction contracts.

In Sacramento, a 20-year master plan has been developed to manage office space needs and improve state operations. Eighteen major agencies have been studied and ranked for potential consolidation. Two consolidations have been completed and work is under way on eleven others. Ninety-three smaller government tenants have been identified to "in-fill" expansion space for the larger "anchor" tenants in a new program that will allow for planned long-term growth and cost control. The Sacramento program could create more than 25,000 new private-sector jobs in the next three years.

The Inland Empire plan, covering San Bernardino and Riverside counties, prescribes four major and up to twenty minor consolidations, all of which will reduce costs and create jobs. The Riverside consolidation uses an existing vacant building in the Civic Center which has been refitted at a cost 25 percent below current leases. After consolidation, the State will occupy 32 percent less space without any reductions in personnel or programs. Construction has started in Riverside and will begin in San Bernardino in early 1995.

Legislation was recently approved to authorize a similar consolidation in downtown Long Beach, where the State is searching for an existing building to buy or long-term lease at "bargain basement" prices. Legislation will be introduced in 1995 to authorize similar consolidations in San Diego, Orange County, Stockton and portions of metropolitan Sacramento.

Considered together, the regional plans involve 55 projects in a statewide program called "JOBS," or "Jumpstart Office Buildings Statewide." The JOBS program will:

- ☐ Consolidate State office space to reduce costs.
- ☐ Use existing buildings or new construction, depending on local market conditions.
- ☐ Create new private-sector jobs, especially in the design and construction industries.

The JOBS program is being implemented through new partnerships between state and local governments and local redevelopment agencies. These partnerships have met with great popular support as the State helps achieve local land use and redevelopment goals. The Administration has taken the lead in promoting efforts to identify and sell or ground lease surplus state assets.

An entrepreneurial, market-driven energy conservation group has been using voter-approved bond financing to invest in energy conserving projects in state and local government facilities. This group is also involved in efforts to

improve the procurement of energy for state buildings and to represent the public sector in the utility-regulatory process.

The State has created new bidding procedures, simplifying and modifying specifications, contract documents and vendor selection procedures. New work station standards have reduced office space demand by 15 percent, selective lease renegotiations have cut occupancy costs 20 percent or more, and new performance specifications are improving service quality while reducing costs.

In addition, the State is investigating new methods for financing facilities in order to improve flexibility and reduce costs. These include a new form of bondable lease new relationships with the STRS and PERS state pension funds, increased utilization of long-term lease and lease-purchase financing, and greater reliance on low-interest, tax-exempt instruments such as certificates of participation.

Finally, the State is changing the way it does business, with a special emphasis on privatizing the delivery of services. Private-sector firms now provide virtually all architecture, engineering and construction services. Now, for the first time, the State has awarded contracts to "privatize" additional services, including construction inspection, leasing and property management.

Through all of these efforts, the State is becoming a focused and intelligent tenant instead of trying to maintain a vertically integrated, full-service real estate organization.

REORGANIZATIONS

State agencies are established to administer a set of programs that the Legislature and the Governor believe are important to the people of California at a particular point in time. These agencies then evolve through the addition or cessation of new programs and responsibilities which result from changes in statute, court decisions, or voter initiative. But, by the very nature of their public responsibilities, governments seldom change quickly enough to respond to new conditions, service demands, or market realities. Sometimes, they simply continue to do what they have always done and the organizations become outmoded. When this happens, it becomes necessary to effect major changes all at once in both the organizational structure and duties so that the state agency remains effective and cost efficient.

Accordingly, the Administration proposes the following changes in executive branch organization. The goal of these changes is to consolidate similar functions, reduce costs, and improve services to clients and customers. The changes which are reflected in the Governor's Budget, will be effectuated by either a Governor's Reorganization Plan or proposed statutory changes.

Energy Resources Conservation and Development Commission

When the California Energy Commission was created in the mid-1970s, the generation of electricity was heavily regulated by the Public Utilities Commission (PUC). Energy producers were proposing to increase ratepayer costs substantially by building several large, new powerplants in the state. Since that time, an alternative energy industry has emerged throughout the State, and the PUC is moving toward permitting energy utilities to be governed by market conditions rather than by state regulation. With the move to market-based energy utilities, it is no longer necessary for the State to continue all of the current functions of the Energy Commission. Consequently, the Administration proposes to eliminate the current Energy Commission and create a new Department of Energy and Conservation. The new Department will continue only those functions of the Energy Commission which are consistent with the new market-based approach being advanced by the PUC.

Under this reorganization, the siting of power plants will become the responsibility of a newly created Energy Facilities Siting Board. The Director of the Department of Energy and Conservation will chair the Energy Facilities Siting Board. Members of the Board will include the President of the Public Utilities Commission, the Chair of the Air Resources Board, and the Secretaries of the Resources and California Environmental Protection Agencies.

Department of Conservation

The Budget proposes to eliminate the Department of Conservation and to transfer its functions in the following ways. The Division of Recycling will be moved to the Integrated Waste Management Board within the California Environmental Protection Agency, with the result that the Board will handle virtually all of the State's waste reduction, waste management, and recycling programs. All other functions of the Department of Conservation will be assigned to the new Department of Energy and Conservation.

While the recycling program has significantly decreased the flow of beverage containers to landfills, recycling rates are not reaching the levels thought attainable. Consequently, in addition to moving the recycling program to the Integrated Waste Management Board, the Administration will be reviewing alternative structures for the recycling program to improve the program's effectiveness.

State Lands Commission

The State Lands Commission will be eliminated. Many of the functions of the State Lands Commission are similar to those performed by other departments. For example, the activities related to oil spills is an extension of the Oil Spill Prevention and Response program in the Department of Fish and Game. Consistent with the Governor's commitment to improve and simplify the operations of state government, the budget proposes that the State Lands Commission's activities be integrated into other departments with similar functions.

The Commission's responsibilities for oil spill response in state tidelands and inland waters will be assigned to the Department of Fish and Game's Office of Oil Spill Prevention and Response. The Commission's remaining natural resource management authority—including oil, gas, geothermal, and other energy activities in state lands and waters—will be added to the new Department of Energy and Conservation. In addition, an alternative process for resolving public trust and land-use decisions currently decided by the Commission will be delineated when the actual language of this proposed reorganization is introduced.

Department of Energy and Conservation

A new Department of Energy and Conservation will be established, thereby consolidating the programs of the California Energy Commission with the oil, gas and geothermal program of the former Department of Conservation, and specified duties of the State Lands Commission.

The savings reflected in the Budget that result from consolidating functions described above are the half-year savings associated with eliminating the Commissioners and related expenses. In future years, we expect millions of dollars in annual savings from the elimination of duplications and activities that are no longer necessary. Since there will be initial start-up costs from establishing the new Department of Energy and Conservation, the net savings in the first year are expected to be minimal.

Integrated Waste Management Board

The Governor's Budget proposes to transfer the Beverage Container Recycling and Litter Reduction Act program from the Department of Conservation to the Integrated Waste Management Board. This transfer will consolidate recycling activities and result in increased program effectiveness and greater administrative efficiency. Further, the Governor will propose that the Board be restructured with a full-time chairperson and four part-time members. This structure retains the essential benefits of bringing diverse points of view to policy-making while reducing the cost of a full-time board.

San Francisco Bay Conservation and Development Commission

The San Francisco Bay Conservation and Development Commission (BCDC) was established more than 25 years ago amid concerns that development in and around the San Francisco Bay threatened environmental degradation and limited access to the Bay. During the past quarter century, BCDC has done a commendable job of executing its duties and fulfilling its responsibilities. Nevertheless, since the time the BCDC was created, the public and governmental agencies have recognized the importance of protecting the environment and ensuring public access to unique natural resources everywhere in California, not just in the San Francisco Bay. This is shown in the creation of state agencies which provide protections throughout the state that the Commission has been providing for San Francisco Bay only, in particular the California Coastal Commission and the Water Resources Control Board. Consequently,

the Budget proposes that the functions of San Francisco Bay Conservation and Development Commission be folded into the existing, similar functions of the Coastal Commission and the San Francisco Regional Water Quality Control Board. The Administration will work with local governments and other appointing powers of the Commission to arrive at a consensus on how best to consolidate BCDC's operations with other organizations in the interest of efficiency without compromising the safeguard functions of BCDC.

Cemetery Board and the Board of Funeral Directors and Embalmers

The Cemetery Board protects consumers from possible fraud, misrepresentation or negligence by cemeteries, crematories and their representatives. The Board ensures that only qualified applicants receive licenses to operate cemeteries or crematories, or to act as cemetery brokers or salesmen. In addition, they ensure that all trust funds are properly placed in trust, invested and that the income is used for the intended purpose.

The Board of Funeral Directors and Embalmers regulates the funeral industry, ensuring that licensees are qualified and competent to practice safely and effectively. They also attempt to reduce the incidence of fraudulent, negligent, incompetent and deceptive trade practices in the industry.

The Administration is proposing to consolidate these two boards because they have overlapping and similar responsibilities. With the merging of the boards, consumers would direct their inquiries and complaints to one organization, rather than two, thereby avoiding confusion, improving access, and giving consumers more timely and cost-efficient service. This merger will retain the vital licensing and enforcement functions of the current boards, but will also result in more efficient use of resources, eliminate duplication of functions, and improve service delivery.

Fire Services

In March 1993, the Governor signed Executive Order W-45-93, establishing the State Fire Service Task Force to review and assess the system by which the State coordinates and deploys its fire prevention and suppression programs. Comprised of representatives of nine state agencies, including the California Department of Forestry and Fire Protection and the State Fire Marshal, the Task Force questioned the efficiency of the current multi-department mode of providing fire suppression and protection services at the State level. The Administration will respond with a plan that consolidates state fire services while assuring the effective protection of the public.

Employment and Labor

The Governor has requested that the Directors of Industrial Relations and Employment Development lead an interagency team to evaluate the operation and management of programs dealing with labor and employment issues

in California. Recommendations will be presented to the Governor by mid-April 1995 and are expected to center around issues that will:

- ☐ Enhance the competitiveness of California business with respect to those in other states,
- ☐ Decrease the cost of litigation to the business community,
- ☐ Reduce the cost of labor and employment programs to taxpayers,
- ☐ Promote the transition from welfare to work, and
- ☐ Assume additional responsibilities from the federal government.

The Efficiency of California's State Workforce

During his first term, Governor Wilson has made cost-effective use of the State's employees to provide necessary public services efficiently. In 1995-96, the State will employ over 267,400* state employees to provide Californians with safety, educational, transportation, health and other essential public services.

Governor Wilson has reduced the number of State employees as a percentage of the population to its lowest point in thirty years to 8.3 State employees per 1,000 population (per capita). Moreover, based on the latest United States Bureau of Census report, California currently ranks second in the nation for having the lowest number of State employees per capita. The Governor will continue to limit the size of bureaucracy as state government provides essential services.

The Administration's Workforce Priorities. Beginning in 1990-91, Governor Wilson made protecting the public from crime one of the top priorities of his Administration. As a result of this emphasis, the number of employees providing public safety has increased significantly, and justifiably so to meet the important safety needs of all Californians. Public safety

functions have increased by 33 percent. Despite the necessary increase in safety personnel, the number of General Fund personnel has actually decreased by 3,300 personnel years since 1990-91.

Trends in Total Employment. In the budget year, the State of California will employ approximately 267,400* workers, 136,600 (51 percent) of whom are funded from the State's General Fund. In 1990-91, the State had 257,400 employees. By 1995-96, the State workforce is proposed to be approximately 267,400 employees, an increase of approximately 3.8 percent above the 1990-91 level.

**All personnel year numbers exclude Legislators, Legislative staff and State Compensation Insurance Fund employees.*

Since 1990-91, the greatest growth in employment has occurred in the Youth Authority and Correctional Agency program areas. Staffing has increased by nearly 41 percent, primarily due to a 45.7 percent increase in the inmate population during the 1990s. Other public safety agencies such as the CHP, the Departments of Justice, Judiciary, and Public Defender have increased since 1990-91.

REFORMING STATE PERSONNEL PRACTICES

Pay-for-Performance. Compensation based on performance is based on the common sense notion that employees should be rewarded for the quality of their work. However, California has traditionally compensated employees by providing for across-the-board cost-of-living adjustments for all employees, regardless of merit or performance. Although the State has a process for awarding merit raises above and beyond those provided for the cost-of-living, too often these merit raises are provided automatically. Consequently, the State's pay program has done very little to distinguish between varying levels of performance.

In December 1993, Governor Wilson approved a meaningful Pay-for-Performance Program for state managerial employees for the 1994 calendar year. Implementation of the program, however, was thwarted by litigation filed by several employee organizations representing managers and supervisors. As a result of the lawsuit against the Department of Personnel Administration (DPA), the Sacramento Superior Court issued a stay during April 1994, that halted the program.

Despite the litigation, the Administration has concluded that general salary increases should be awarded to individuals based on their job performance, rather than be given to them automatically. Furthermore, performance-based pay is consistent with the State's movement toward performance based budgeting. To meet the Administration's objectives, the DPA has implemented a Pay-for-Performance Program for exempt employees, managers, and supervi-

FIGURE Y
STATE PERSONNEL YEARS CHANGES IN EMPLOYMENT
1990-91 TO 1995-96 ALL FUNDS
(Scale in Thousands)

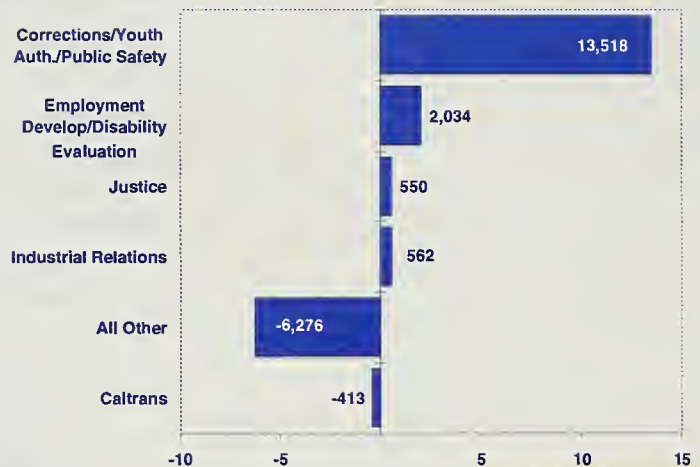
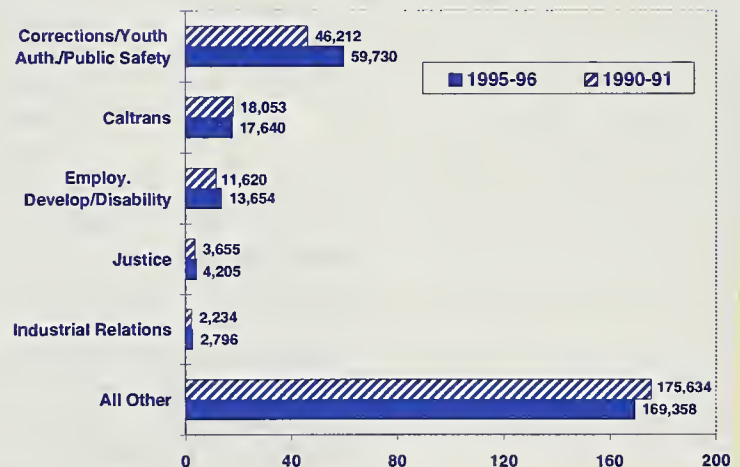


FIGURE Z
STATE PERSONNEL YEARS
6-YEAR COMPARISON 1990-91 TO 1995-96
ALL FUNDS
(Scale in Thousands)



sors. The Administration will seek to include Pay-for-Performance provisions in future labor agreements.

To meet the concerns of the court, the DPA developed regulations to establish the program for both managers and supervisors. The regulations were approved by the Office of Administrative Law in December 1994. Under the approved regulations, managers and supervisors who have performed successfully will receive a three-percent salary increase on January 1, 1995.

Changing the Structure of Management. As decision-making authority moves to the front lines of organizations and technology provides instant access to the information needed to respond to customers, organizational structures can shed layers of middle management. Transforming an organization in this way often means defining the role of, and reassessing the need for, managers and supervisors.

In recent years, DPA has reassessed the role of the State's managers and supervisors as part of the Administration's strategy to produce more responsive and efficient organizations. Beginning in 1992, the Administration eliminated about 1,300 managers and supervisors from the 31,700 that existed at that time. In January 1994, to achieve further reductions, the DPA and the Department of Finance directed all State departments to submit plans to eliminate unnecessary levels of management within their organizations during the period of January 1, 1994, through June 1995.

Under this manager and supervisor reduction program, departmental reduction plans approved by DPA have resulted in (1) elimination of 800 additional positions, (2) reclassification of 1,050 positions, and (3) redesignation of 2,100 positions to line staff. Moreover, as a result of the Administration's actions, by June 1995, the total number of managers and supervisors will be approximately 3,900, or 16.4 percent, below the January 1992 level.

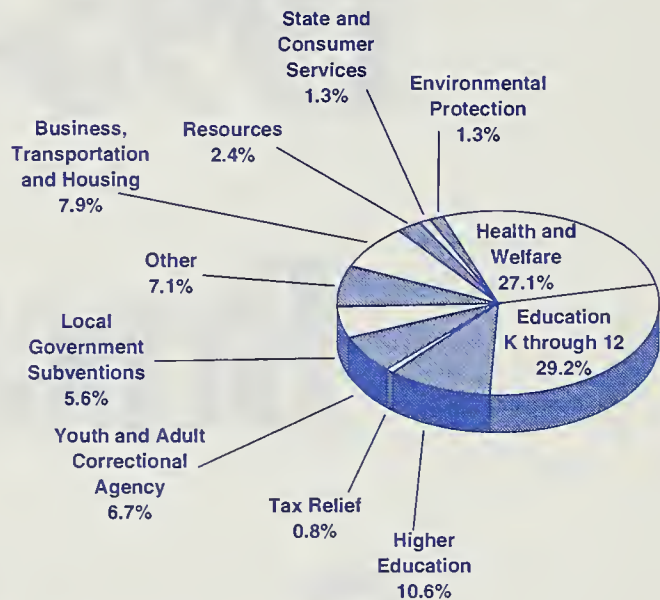
1995-96

BUDGET

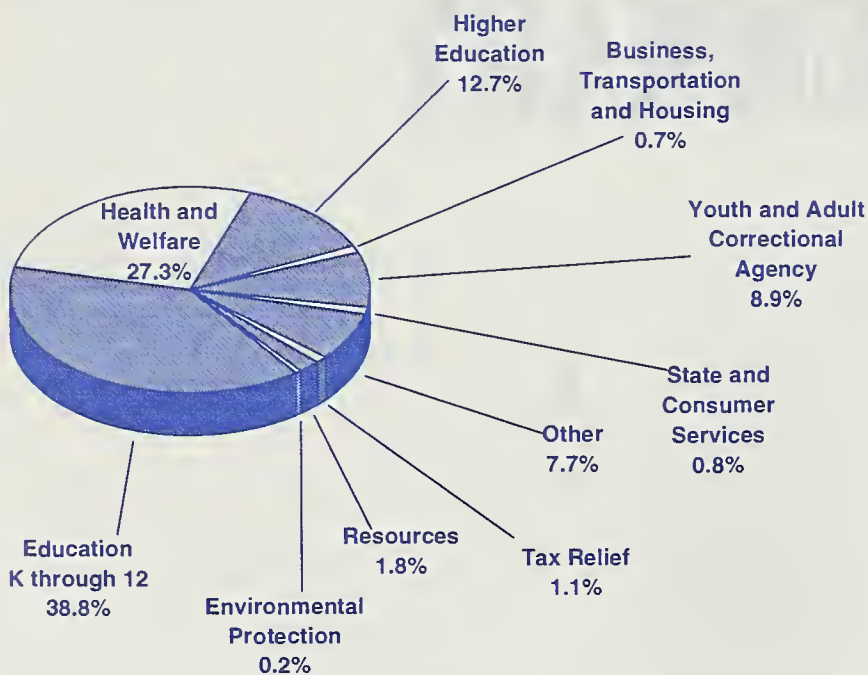
SUMMARY

Expenditures 1995-96 Fiscal Year

TOTAL EXPENDITURES (Excluding Selected Bond Funds)

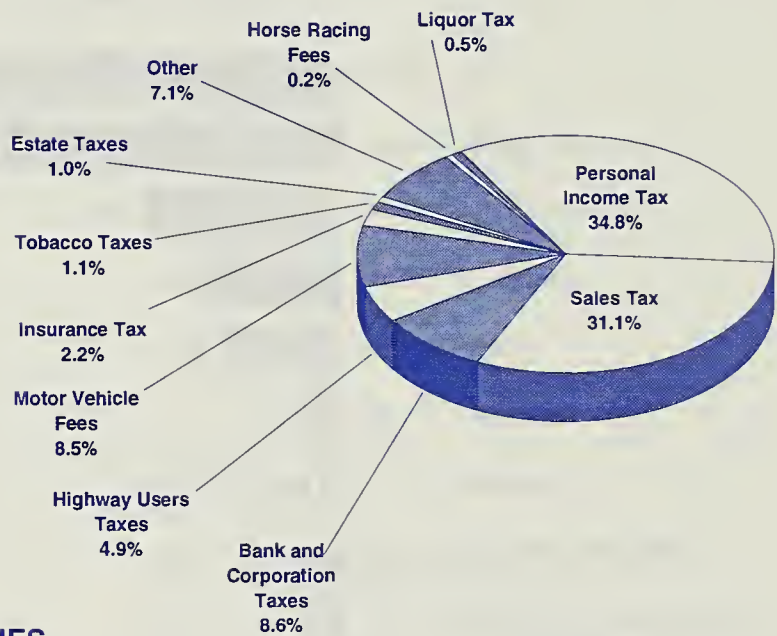


GENERAL FUND EXPENDITURES

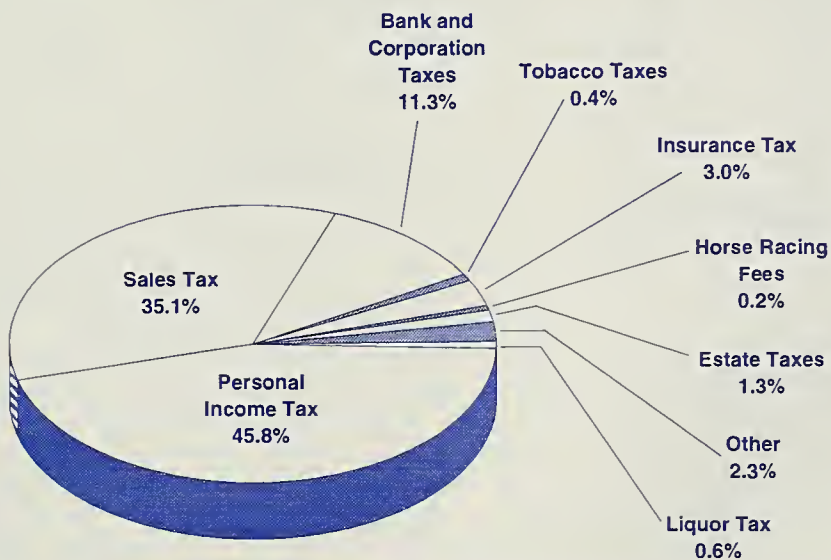


Revenues 1995-96 Fiscal Year

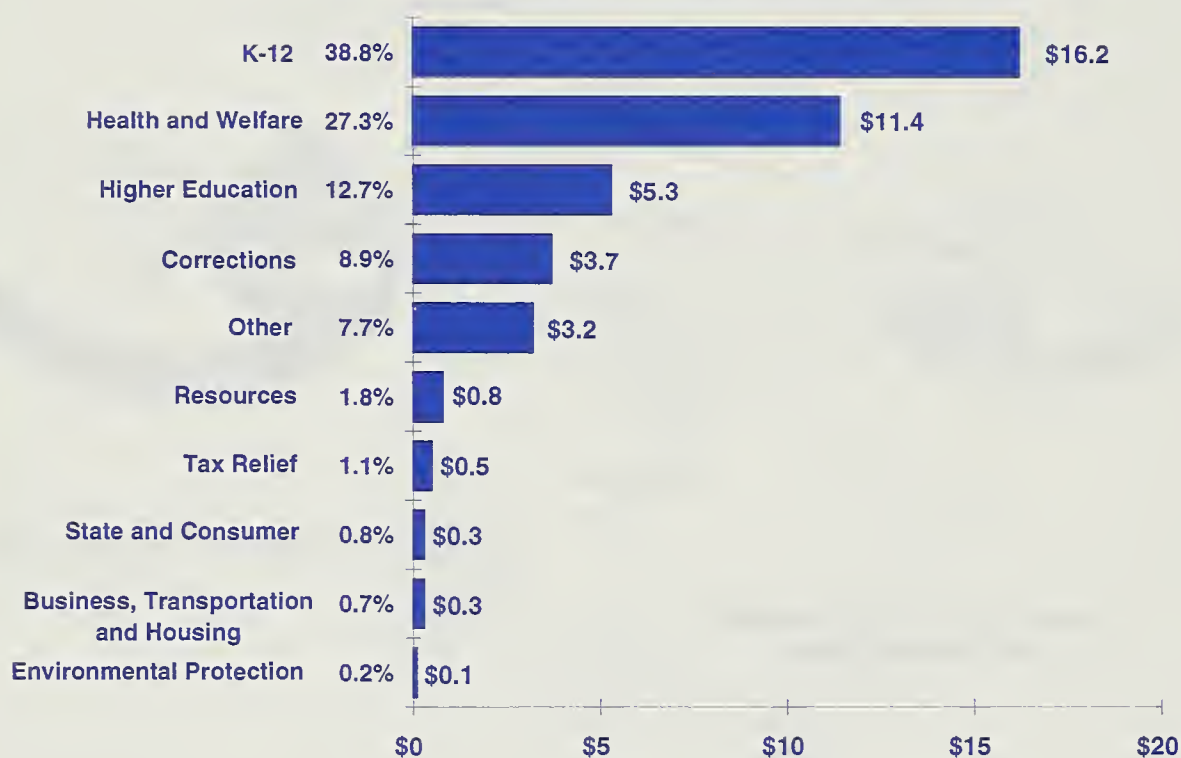
TOTAL REVENUES AND TRANSFERS



GENERAL FUND REVENUES AND TRANSFERS



GENERAL FUND EXPENDITURES 1995-96
(Dollars in Billions)



1995-96 FUND SOURCES
(DOLLARS IN THOUSANDS)

	General Fund	Special Fund
Personal Income Tax	\$19,490,000	
Sales Tax	14,947,000	\$2,501,320
Bank and Corporation Tax	4,800,000	1,000
Highway Users Taxes		2,734,225
Motor Vehicle Fees	36,300	4,726,730
Insurance Tax	1,252,000	
Estate Taxes	552,000	
Liquor Tax	270,000	
Tobacco Taxes	166,300	467,700
Horseracing Fees	71,000	37,612
Other	<u>952,936</u>	<u>3,052,156</u>
Total	\$42,537,538	\$13,520,743

**1995-96 EXPENDITURES
BY FUND**
(DOLLARS IN MILLIONS)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$16,178	\$34	\$34	\$16,246
Health and Welfare	11,388	3,679	--	15,067
Higher Education	5,268	600	24	5,892
Business, Transportation and Housing	280	4,105	381	4,766
Trade and Commerce	44	12	4	60
Tax Relief	458	--	--	458
Local Government Subventions	8	3,115	5	3,128
Youth and Adult Corrections	3,704	11	105	3,820
Resources	759	575	53	1,387
Environmental Protection	82	652	38	772
State and Consumer Services	348	368	166	882
Other	<u>3,209</u>	<u>641</u>	<u>--</u>	<u>3,850</u>
Total	\$41,726	\$13,792	\$810	\$56,328

THE NATIONAL ECONOMY

The U.S. economic expansion gained momentum in 1994, post-

ing growth in real gross domestic product (GDP) of close to 4 percent, following a gain of 3.1 percent in 1993. Inflation remained subdued at slightly over 2 percent, as measured by the GDP implicit price deflator, little changed from 1993's 2.2 percent rate. Fixed investment—both in housing and business equipment—was the leading growth sector in 1994, posting a double-digit percentage gain last year. Consumer spending increased about 3½ percent in real terms—slightly less than overall GDP growth—while net exports and government purchases both declined on the year.

Strong Growth. Reflecting the strong growth in real GDP, the nation's labor markets tightened considerably over the course of the year. Nonfarm wage and salary employment increased by 3.3 million or 3 percent between November 1993 and 1994. The U.S. unemployment rate dropped from 6.7 percent in January to 5.6 percent in November 1994. The unemployment figure is based on a new survey of households and is not strictly comparable to prior readings. It is believed, however, that the new unemployment figures are running about one-half percentage point higher than would have been the case using the old survey. Thus based on historically comparable data, the current jobless rate is probably in the region of 5 percent.

Concerns over the rapid pace of economic growth, and the possibility of future inflation, were reflected in the nation's credit markets. Interest rates rose throughout 1994, as the Federal Reserve boosted its target rate for Federal funds (overnight money traded among banks) from 3 percent in January to 5.5 percent at year-end. Longer term interest rates, such as the U.S. Treasury's 30-year bond, rose in yield from 6.3 percent in January to over 8 percent by early autumn, before falling back to the 7.8 percent area in December.

Economic Outlook

Despite these credit market worries, inflation remained a threat rather than a reality in 1994. The broadest measures of inflation averaged near the 2 percent reading for the im-

plicit price deflator, ranging from a little over 2½ percent for consumer prices to less than 1 percent for finished goods at the wholesale level. Nor was there any evidence of acceleration in labor costs, which rose less than 3½ percent including both wages and employee benefits. Beneath the broad inflation measures, however, there was some evidence of price pressures, particularly in industrial commodity prices, many of which jumped 40 to 60 percent over the past year. Moreover, labor cost pressures tend to lag low unemployment by a year or more, and there are already scattered reports of labor shortages and wage bidding mainly in the Midwestern industrial states.

A Pause That Refreshes? The path of the U.S. economy in 1995 will be determined in large measure by the success of the Federal Reserve in achieving its goal of slowing economic growth so as to contain future inflation. Fed policy makers appear to be guided by two principles: first, that long-run potential growth of the U.S. economy is in the 2¼ to 2½ percent range, and second that the noninflationary rate of unemployment is above 6 percent, based on the current survey measurement. With real economic growth running in the 4 percent range and the jobless rate near 5½ percent, it is quite likely that policy makers will continue to boost short-term interest rates. Moreover, although the Fed will certainly attempt to avoid recession, policy makers will probably be content to see growth slow to 2 percent or less in order for the unemployment rate to move gradually to the less-threatening 6 percent area.

This forecast assumes that the Fed achieves its near-term goals. With fourth quarter 1994 growth in the 3½ to 4 percent range, and with momentum carrying into early 1995, the central bank will probably boost the Federal funds rate from the current 5.5

percent level to around 7 percent by mid-year. This should be sufficient to dampen housing and consumer spending, with overall economic growth slowing to less than 2 percent by the second half of 1995. Indeed, by late this year, the Fed should be in a position to ease its grip on short-term interest rates. Importantly for California, a spreading recovery in major overseas economies coupled with continued strength in business equipment outlays at home will partially offset the expected weakness in homebuilding and household spending.

Longer term interest rates actually declined following November's $\frac{3}{4}$ percent hike in short-term rates, implying a degree of confidence that the Fed will succeed in slowing economic growth. While strong near-term growth—and the possibility of deficit-widening Federal tax cuts—could cause some temporary backup in longer term rates, bond and mortgage rates should decline during the second half of this year.

To summarize the U.S. forecast:

- ❑ Following last year's near 4 percent advance, real economic growth will slow to $2\frac{1}{2}$ percent this year and $2\frac{1}{4}$ percent in 1996. However, by the second half of next year, growth could again reach the 3 percent range. (Figure Econ-A)

- ❑ Inflation may deteriorate slightly, with consumer prices rising $3\frac{1}{2}$ percent in both 1995 and 1996, up from 2.7 percent last year. The broader implicit price deflator is expected to rise $2\frac{3}{4}$ percent both years, compared to just over 2 percent in 1994.
- ❑ Housing starts are expected to drop more than 10 percent to 1,237,000 units this year, weighed down by higher interest rates. In 1996, lower mortgage rates will encourage a small increase in new home building activity. New car and light truck sales are expected to remain near the 15-million unit mark both years, a robust pace but providing little in the way of additional economic growth.
- ❑ Business equipment spending, which surged 18 percent in real terms in 1993 and 16 percent last year, will continue to post strong gains in 1995, up more than 12 percent, followed by an 8 percent increase in 1996.
- ❑ Export growth will help narrow the U.S. deficit in goods and services trade both this year and next.
- ❑ Government purchases, after declining for three years in a row, are expected to see average growth of less than one percent over the next two years.

THE CALIFORNIA ECONOMY

Revised employment data indicate that California's recession ended in 1993, and following a period of stability, a solid recovery is now underway. The state's unemployment rate fell sharply last year, from 10.1 percent in January to 7.7 percent in October and November. The gap between the national and California jobless rates narrowed from 3.4 percentage points at the beginning of 1994 to an average of 2 percentage points in October and November. The number of unemployed Californians fell by nearly 400,000 during the year, while civilian employment increased more than 300,000.

Evidence of Recovery. Other indicators, including retail sales, homebuilding activity, existing home sales and bank lending volume all confirm the state's

FIGURE ECON-A
REAL GROSS DOMESTIC PRODUCT
(Quarterly Growth at Annual Rate)

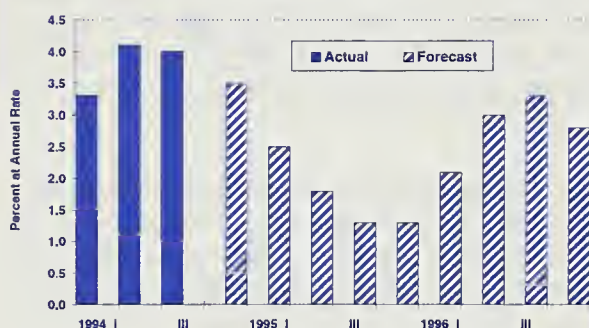
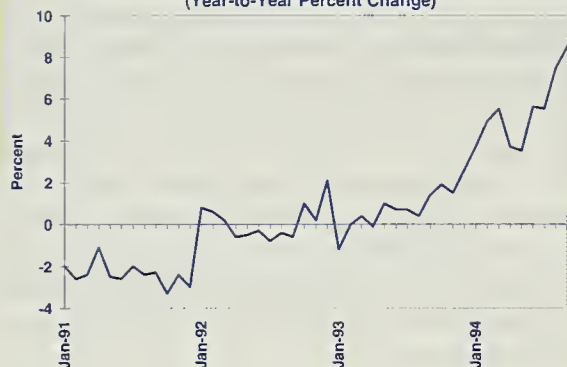


FIGURE ECON-B
CALIFORNIA RETAIL SALES
(Year-to-Year Percent Change)



US Department of Commerce survey data

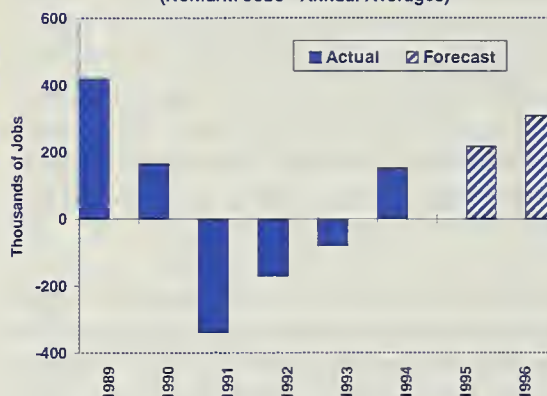
recovery. U.S. Department of Commerce survey data show retail sales up over 8 percent in September and October 1994 from year-earlier data. (Figure Econ-B) Information from major credit card companies and the leading check verification service suggest that holiday-season sales growth in California outpaced the national performance. Despite rising interest rates, existing home sales were up 18 percent through the first 10 months of last year, while permits to build new homes rose 16 percent over the same period. Nonresidential construction has stabilized, and office occupancy rates are moving up in most areas. Commercial lending by the state's major banks is also on the rise after a three-year decline.

Personal income was severely affected by the Northridge Earthquake, which reduced the first quarter 1994 figure by \$22 billion at an annual rate, reflecting the uninsured damage to residences and unincorporated businesses. As a result, personal income growth for all of 1994 was about 4.2 percent. However, excluding the Northridge effects, growth would have been in excess of 5 percent. Moreover, after several years of accelerating income ahead of promised Federal tax hikes, it appears that many individuals may have deferred the recognition of income (including bonuses and stock options) into 1995, given a strong possibility that the new Congress may enact tax cuts at the Federal level. At the

very least, there is virtually no risk of further Federal tax increases this year.

The Missing Piece. Only the nonfarm wage and salary employment figures have yet to confirm this solid recovery. Federal figures indicate that jobs reached a low in December 1993 and have shown little growth since then (although the November 1994 figure was up slightly from the year-earlier level). However, state payroll tax data, which will form the

FIGURE ECON-C
CALIFORNIA EMPLOYMENT CHANGE
(Nonfarm Jobs - Annual Averages)



basis for the March 1995 revision in the wage and salary job figures, paint a much brighter picture. These tax-based data, reflecting the entire universe of employers, indicate that employment bottomed in the spring of 1993, and after a period of stability, began a sustained recovery later that year. Based on preliminary second quarter payroll tax data, the Department of Finance estimates that employment grew by more than 150,000 last year. (Figure Econ-C)

The gap between the data compiled by the California Employment Development Department (EDD) on contract with the U.S. Bureau of Labor Statistics (BLS), and the payroll tax data is troubling but easily explained. The survey on which these figures are based is unable to pick up new business starts (only firms in operation prior to the first quarter of 1992 are included) and samples only a fraction of smaller employers. On the other hand, all very large firms—including most aerospace manufacturers, banks, utili-

ties and major retailers—are included in the EDD/BLS survey. These larger firms are the source of most of the layoffs, down sizing and restructuring in the economy. Thus, the official survey reports the vast majority of layoffs, but understates growth in small firms and misses entirely jobs created by new businesses.

Payroll tax data indicate employment growth is concentrated in services, construction, and wholesale and retail trade. Manufacturing continues to be affected by Federal defense spending cuts and the weak market for commercial aircraft. Aerospace (aircraft, missiles and space equipment and search and navigation instruments) lost 36,000 jobs last year, and employment is now down by more than half from the 1988 peak. Electronics has stabilized and is showing some growth particularly in the components industry. Excluding these high-technology industries, manufacturing is now posting small employment gains.

Many of the new jobs in the service-producing sector are in high-wage industries, including motion pictures, business services (which includes computer software and consulting), and engineering and management consulting. Much of the growth in wholesale trade is related to foreign trade. Dollar volumes through California ports were up an estimated 16 percent last year, considerably above the nationwide gain of about 9 percent. Job gains in these high-

wage service industries are helping to cushion the ongoing losses in aerospace.

Outlook: Building Momentum. California should not be significantly affected by the prospective slowing of U.S. economic growth. The state will benefit from continued strength in business equipment sales—mainly computers, instruments and other high-tech products—and from the ongoing recoveries overseas. The recent upswing in Japan—California's largest trading partner—and faster than expected growth in Western Europe are particularly encouraging signs for California.

Housing, which normally suffers when interest rates rise, may experience only a mild, temporary setback in California. Homebuilding in the state has continued to recover despite the 2½ percentage-point rise in fixed rate mortgages since late 1993. Job growth seems to be the key: in a reversal of traditional roles, the rest of the state's economy is pulling housing out of the doldrums. Lower interest rates, which should appear on the horizon later this year, will give homebuilding an extra boost in the second half of 1995 and throughout 1996. Permit volume is forecast to rise from an estimated 96,000 units last year to 109,000 units in 1995 and over 150,000 new homes in 1996. (See Figure Econ-D)

Following the addition of over 150,000 new jobs in 1994, this year should see growth in the 220,000 range, led by services, construction and trade. Manu-

FIGURE ECON-D
CALIFORNIA HOUSING PERMITS

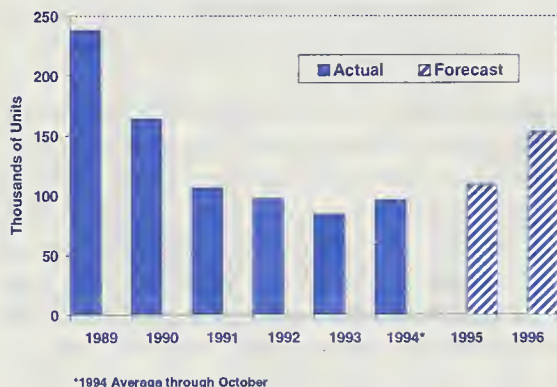
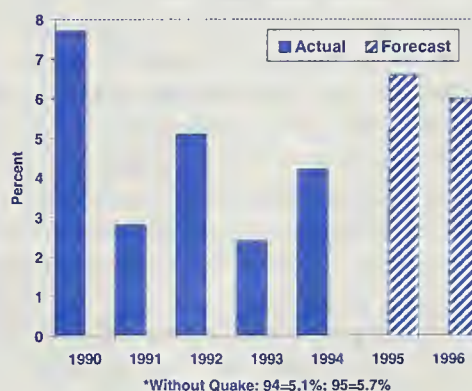


FIGURE ECON-E
CALIFORNIA PERSONAL INCOME GROWTH
(Year-to-Year Percent Change)



facturing is expected to stabilize, despite the loss of another 20,000 or more aerospace jobs. In 1996, job growth is projected to exceed 300,000, with gains in all major sectors of the state's economy, again led by services and construction.

Personal income is expected to grow 6.6 percent this year, well above the quake-impacted 1994 estimate of 4.2 percent. Without the quake-related losses in rental income, growth would have been 5.1 percent last year, and this year's forecast gain would be 5.7 percent. In 1996, income is expected to grow by 6 percent. (Figure Econ-E)

TABLE ECON-1
SELECTED ECONOMIC DATA FOR 1994, 1995 AND 1996

	1994	1995	1996
UNITED STATES			
Real gross domestic product, (1987 Dollar) (Percent change)	3.9	2.5	2.2
Personal consumption expenditures	3.4	2.2	1.8
Gross private domestic investment	15.6	4.0	2.4
Government purchases of goods and services	(0.7)	1.0	0.4
GDP deflator, (1987=100) (Percent change)	2.1	2.8	2.8
GDP, (Current dollar) (Percent change)	6.1	5.4	5.0
Personal income (Percent change)	5.9	5.8	4.7
Corporate profits before taxes (Percent change)	12.9	5.5	4.5
Wage and salary employment (Millions)	113.4	116.5	118.7
(Percent change)	2.6	2.7	2.0
Unemployment rate (Percent)	6.1	6.0	6.3
Housing starts (Thousands)	1,430.0	1,237.0	1,270.4
(Percent change)	11.3	(13.5)	2.7
New car sales (Millions)	9.3	9.3	9.1
(Percent change)	6.7	(0.1)	(2.3)
Consumer price index (1982-84=100)	148.4	153.5	159.0
(Percent change)	2.7	3.5	3.6
CALIFORNIA			
Civilian labor force (Thousands)	15,561	15,826	16,112
(Percent change)	n.c.	1.7	1.8
Civilian employment (Thousands)	14,197	14,590	14,923
(Percent change)	n.c.	2.8	2.3
Unemployment (Thousands)	1,363	1,236	1,189
(Percent change)	n.c.	(9.3)	(3.9)
Unemployment rate (Percent)	8.7	7.8	7.4
Wage and salary employment (Thousands)	12,228	12,445	12,755
(Percent change)	1.3	1.8	2.5
Personal income (Billions)	\$711.8	\$758.8	\$804.1
(Percent change)	4.2	6.6	6.0
Housing units authorized (Thousands)	97	109	153
(Percent change)	14.8	12.6	40.3
Corporate profits before taxes (Billions)	\$56.5	\$59.1	\$61.7
(Percent change)	15.7	4.7	4.3
New auto registrations (Thousands)	1,347	1,359	1,414
(Percent change)	7.1	0.9	4.0
Total taxable sales (Billions)	\$286.2	\$303.3	\$321.4
(Percent change)	5.2	6.0	6.0
Consumer price index (1952-84=100)	151.6	156.0	161.0
(Percent change)	1.5	2.9	3.2

n.c.— Not comparable

Note: Percentage changes calculated from unrounded data.

The quality of income is also improving, with wages and salaries and proprietors' incomes accelerating, while transfer payments—which include welfare payments, unemployment compensation and social security—are slowing. During the recession, transfer payments grew at a double-digit pace.

Inflation in California, which has traditionally run slightly above the national average, is now lagging the U.S. by a considerable margin. The California consumer price index (a weighted average of published indexes for the five-county Los Angeles and ten-county San Francisco Bay regions) averaged only a 1½ percent rise last year, compared to a 2.7 percent estimate for the nation. In 1995 and 1996, the California price measure should average 3 percent annual increases, still below the expected national pace of 3½ percent. Subtracting inflation from the rise in personal income, real incomes rose 2.7 percent last year, and without the quake the gain would have been 3.5 percent. In both 1995 and 1996, real income growth is expected to exceed 3 percent (Table Econ-1).

General Fund revenues over the next months are expected to be greater than previously forecast, as economic recovery returns to California. By the end of the 1994-95, revenues are expected to total \$42.4 billion which is \$2.3 billion above the 1993-94 actual collections. The 1995-96 revenue growth is expected to be up \$0.2 billion (0.4 percent). This includes the effect of the tax reduction and local government restructuring proposals. Without these proposed changes, budget year revenues would be up \$1.4 billion (3.4 percent).

In his January 1994 State of the State address, the Governor asked his Council of Economic Policy Advisors to examine how tax reform could most effectively spur additional job creation. In response to that request, a recent report by the Council recommended personal income and business income tax reductions as a way to most effectively spur additional job creation. The Governor's Budget proposes a 15 percent reduction in the personal income tax and bank and corporation tax rates in effect in 1995, to be phased in over a three-year period beginning in 1996. For both taxes, the rates would be reduced by 5 percent in 1996, 10 percent in 1997, and 15 percent in subsequent years from the 1995 rates. These changes will improve California's business competitiveness, accelerate economic growth, and raise family incomes. When fully implemented, virtually every taxpayer will receive the benefit of lower taxes.

The Governor's Budget also proposes to shift trial court revenues and approximately one-fourth of one percent of sales tax levies (\$710 million) from the state to the counties as part of a realignment plan. This policy proposal is discussed in the State-Local Restructuring Section.

Overall, General Fund revenues and transfers represent about 76 percent of total revenues. The remaining 24 percent are special funds, dedicated to specific programs. About 55 percent of special funds are related to the operation of motor vehicles and are dedicated to transportation functions.

Revenue Estimates

There were no major revenue programs enacted in 1994. Revenue legislation primarily addressed technical issues and cleanup of the prior year's legislation. SB 1837 (Chapter 383,

1994) provided for a significant change in revenue analyses. This law requires the Department of Finance and, in budget related matters the Legislative Analyst, to prepare dynamic revenue estimates. Efforts to provide dynamic analysis of tax issues have been very limited to date. Only three states have done work in this area. The Department has spent the last few months surveying the market to evaluate the options that could be used to implement this law, which will most likely evolve over several years due to the complexity of the methodology and the development of data sources.

PERSONAL INCOME TAX - \$19,490,000,000

Overall, personal income tax revenues are expected to increase by 5.1 percent for the current year and 5.4 percent for the budget year. The estimate includes the first year impact of the Governor's proposal to extend the 10 and 11 percent brackets and higher alternative minimum tax rate and to reduce the tax rates for all taxpayers by 5 percent for the 1996 tax year, 10 percent for the 1997 tax year, and 15 percent thereafter. Excluding the impact of the higher tax rates and the Governor's proposal, base revenue growth for 1993-94 was up 2.4 percent and is estimated to increase by 5.0 percent and 5.7 percent for 1994-95 and 1995-96, respectively, reflecting the improved economy.

The California personal income tax, which contributes approximately 45 percent of all General Fund revenues, is closely modeled after the federal income tax law. It is imposed on net taxable income; that is, gross income less exclusions and deductions. The tax is progressive with rates ranging from one to eleven percent. Personal, dependent, and other credits are allowed against the gross tax liability.

In addition, taxpayers may be subject to an alternative minimum tax (AMT), which is much like the federal AMT. This feature is designed to ensure that excessive use of tax preferences does not reduce taxpayers' liabilities below some minimum level. The AMT is equal to 8.5 percent of the alternative minimum taxable income that exceeds an exemption amount.

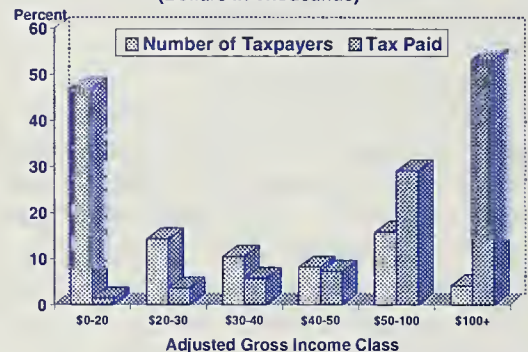
The personal income tax is adjusted annually by the change in the consumer price index to prevent taxpayers from being pushed into higher tax brackets without a real increase in income.

The difficulty of forecasting personal income tax receipts is enhanced by the progressive nature of the tax. One dollar of income on a high-income tax return can generate 11 times the revenue from a dollar on a low-income return. In addition, very high-income taxpayers usually have a great deal of discretion over the realization of income and the timing of deductions. Thus, substantial changes in the portfolios or tax planning of relatively few taxpayers can have a dramatic impact on state revenues. In 1992, for example, the top 4.2 percent of state taxpayers, those with adjusted gross incomes of over \$100,000, paid 53.2 percent of the personal income tax.

Even more important to recognize when considering the progressivity of the tax, is the fact that lower income taxpayers, those with adjusted gross incomes of less than \$20,000, paid only 1.3 percent of the personal income tax in 1992, yet represented almost 50 percent of all California taxpayers. This result is demonstrated in Figure REV-A, which displays the percent of total returns and tax paid by adjusted gross income class. These statistics do not take into account the number of residents who were not required to file tax returns because their adjusted gross income was below the threshold amount of \$6,000 (single) or \$12,000 (married).

Personal income tax revenue forecasting has also been greatly complicated by federal and state tax changes which made capital gains fully taxable. Capital gains have always been an extremely volatile revenue source; holders of capital assets are predominantly very high income taxpayers, subject to the maximum tax rate, who can time the realization of

FIGURE REV-A
PERCENT OF TOTAL CALIFORNIA TAXPAYERS AND STATE
TAX PAID BY ADJUSTED GROSS INCOME CLASS, 1992 DATA
(Dollars in Thousands)



gains and, hence, the payment of tax, to their own advantage. Year-to-year growth rates in capital gains over the ten-year period prior to tax reform have ranged from a positive 61 percent to a negative four percent, with an annual average increase of almost 18 percent.

Realization of gains has been even more erratic since tax reform eliminated the exclusion previously allowed capital gains. Sales of capital assets were up nearly 67 percent in 1986 and down over 55 percent in 1987. Now, due to the full taxation of gains and the rapid appreciation of assets during the 1980s, capital gains have the potential of being a much larger proportion of the personal income tax base. In addition, with the new Congress, there will be increased discussion of tax reform which will likely have a significant impact on investment decisions and the sale of capital assets. Thus, sales of capital assets have been a significant contributor to the fluctuations of personal income tax revenue over past years and will contribute to increased volatility in the future.

The income component of the economic forecast forms the basis for the personal income tax forecast. Capital gains income, which is not part of the national income accounts, is forecast separately by using general economic activity and stock market trends. Real estate activity in the state is also used as a guide.

Personal income tax revenues have been abnormally weak since 1989-90. Revenues actually declined by \$54 million in 1990-91 from the year-earlier level. In addition, if the tax law had not been revised in order to generate additional revenue, receipts for 1991-92 as well as 1992-93 would still be below that level. This is largely a reflection of the depressed economic conditions. Layoffs, wage cuts, interest income declines, and asset deflation have all depressed receipts during this period. Revenues were up slightly in 1993-94 from the prior year, reflecting the moderately improved economy.

The realization of capital gains has also been a significant contributor to the weakness in personal income tax revenue. Gains in 1991 were 21 percent below year-earlier levels as the recession hit the California real estate market. This level of capital asset sales is 33 percent below the 1985 level, which was the last normal year before tax reform. For 1992, gains remained at the 1991 level. Preliminary data for 1993 indicate that gains were up in the range of 6 percent from the 1992 year.

As noted earlier, it is likely that there will be a behavioral response to the new Congress in anticipation of federal tax reform. To account for this, we have shifted five percent of the estimated 1994 capital gains realizations into 1995, assuming that taxpayers will delay the realization of gains, to the extent possible, to take advantage of potentially lower tax rates. Similarly, it is likely that losses and deductions will be accelerated to some extent into 1994 and that wages and salaries will be delayed.

Forecast revenues for the current and budget years, compared with preliminary collections in 1993-94, are:

(Dollars in Millions)	
1993-94 (Preliminary)	\$17,590
1994-95 (Forecast)	18,485
1995-96 (Forecast)	19,490

SALES TAX - \$14,947,000,000

The Governor's Budget proposes to reduce the General Fund share of the sales tax from 5.0 to 4.78

percent and transfer the 0.22 percent balance to the Children's Special Services Account (for further details on this proposal, please refer to the State-Local Restructuring Section).

The sales tax is imposed upon retailers for the privilege of selling tangible personal property in California. Most retail sales and leases are subject to the tax. However, exemptions have been provided for certain essentials such as food for home consumption, prescription drugs, gas delivered through mains, and electricity, thereby making the tax relatively progressive. In addition, other exemptions provide relief for a variety of sales ranging from custom computer programs to aircraft.

The breakdown of the 7.25 percent rate that is currently imposed on a statewide basis is as follows:

STATE-IMPOSED RATES

- ☐ 5.00 percent tax rate (General Fund) — Pursuant to Chapter 117, Statutes of 1991, this rate could be reduced by 0.25 percent beginning each January 1, if specified conditions are met. This 0.25 percent rate could be subsequently reinstated if it is determined that the special fund for economic uncertainties will not exceed 4.00 percent of General Fund revenues.
- ☐ 0.50 percent tax rate (Local Revenue Fund) — Revenue from this tax is dedicated to local governments to fund program realignment.

LOCALLY-IMPOSED RATES

- ☐ 0.50 percent tax rate (Local Public Safety Fund) — Chapter 73 (SB 509) included a temporary 0.50 percent tax to replace the General Fund 0.50 percent share that expired on July 1, 1993. This tax was dedicated to the Local Public Safety Fund for public safety services, and was in effect from July 1, 1993 through December 31, 1993. On November 2, 1993 the voters approved a Constitutional amendment to extend this tax indefinitely.
- ☐ 1.25 percent local tax rate — This tax is imposed by cities and counties pursuant to the Uniform

Local Sales and Use Tax Law. Of the 1.25 percent rate, 0.25 percent is dedicated for county transportation purposes and 1.00 percent is for city and county general purpose use.

In addition to the above, the Transactions and Use Tax Law authorizes local governments to impose transactions (sales) and use taxes for general as well as special purpose use, subject to voter approval. The combined transactions and use tax rate may generally be imposed in one-quarter percent increments for any county and is limited to 1.50 percent with the exception of San Mateo and San Francisco Counties, which are authorized to impose a rate of 0.50 and 0.25 percent respectively, above that limit. San Diego is currently restricted to a 1.00 percent combined rate. Chapter 244, Statutes of 1994, authorized Stanislaus County to impose a transactions and use tax at a rate of one-eighth of 1.00 percent for purposes of funding countywide library programs and operations. Thus, with the noted exceptions, the maximum combined state and local tax rate is currently limited to 8.75 percent.

Transactions and use tax authority is generally limited to countywide boundaries, with the following exceptions: The City of Calexico may impose a 0.50 percent rate for the purpose of funding the Heffernan Memorial Hospital District; the Fresno Metropolitan Projects Authority, which generally surrounds the City of Fresno, may impose a 0.10 percent rate for the purpose of funding scientific and cultural programs in the Fresno metropolitan area; Chapter 1240, Statutes of 1994, authorized the City of Lakeport to levy a transactions and use tax rate of 0.25 percent, or any multiple thereof up to 1.0 percent for streets and roads; and

the City of Clearlake may levy a transactions and use tax rate of 0.25 or 0.5 percent for public safety services.

These locally imposed rates are collected by the state for each local jurisdiction and are not included in the state's revenue totals.

A summary of the combined state and local tax rates by county is contained in Table REV-1.

The sales and use tax forecast is prepared by relating taxable sales by type of sale to various economic factors such as disposable personal income, employment, housing starts, new car sales, and inflation. A summary of the forecast for taxable sales growth is presented in Table REV-2.

Taxable sales in 1993 grew by a modest 2.3 percent compared to 1992, after adjusting for the 1992 base

TABLE REV-1
COMBINED STATE AND LOCAL SALES AND USE TAX
RATES BY COUNTY
(EFFECTIVE JANUARY 1, 1995)

County	Tax Rate	County	Tax Rate	County	Tax Rate
Alameda	8.25%	Madera	7.75%	San Joaquin	7.75%
Alpine	7.25%	Marin	7.25%	San Luis Obispo	7.25%
Amador	7.25%	Mariposa	7.25%	San Mateo	8.25%
Butte	7.25%	Mendocino	7.25%	Santa Barbara	7.75%
Calaveras	7.25%	Merced	7.25%	Santa Clara	8.25%
Colusa	7.25%	Modoc	7.25%	Santa Cruz	8.25%
Contra Costa	8.25%	Mono	7.25%	Shasta	7.25%
Del Norte	7.75%	Monterey ^{1/}	7.25%	Sierra	7.25%
El Dorado	7.25%	Napa	7.25%	Siskiyou	7.25%
Fresno ^{2/}	7.75%	Nevada	7.25%	Solano	7.25%
Glenn	7.25%	Orange	7.75%	Sonoma	7.50%
Humboldt	7.25%	Placer	7.25%	Stanislaus	7.25%
Imperial ^{3/}	7.75%	Plumas	7.25%	Sutter	7.25%
Inyo	7.75%	Riverside	7.75%	Tehama	7.25%
Kern	7.25%	Sacramento	7.75%	Trinity	7.25%
Kings	7.25%	San Benito	8.25%	Tulare	7.25%
Lake	7.25%	San Bernardino	7.75%	Tuolumne	7.25%
Lassen	7.25%	San Diego ^{4/}	7.75%	Ventura	7.25%
Los Angeles	8.25%	San Francisco	8.50%	Yolo	7.25%
				Yuba	7.25%

^{1/} Temporarily reduced to 6.5% beginning 10/1/94.

^{2/} 7.85% for sales in the Fresno Metropolitan Projects Authority and its "sphere of influence."

^{3/} 8.25% for sales in the City of Calexico (Calexico Heffernan Memorial Hospital District).

^{4/} Temporarily reduced to 7.0% beginning 4/1/94.

changes. While detail for the third quarter is not yet available, based on cash receipts, sales appear to have risen 4.7 percent from the prior year. Based on the first prepayment for the fourth quarter of 1994, it is estimated that fourth quarter sales will be up 6.7 percent from the prior year. Adjusting for inflation, the fourth quarter is estimated to grow 3.9 percent from the prior year. This will be the sixth consecutive quarter showing real growth, which is encour-

aging after experiencing 10 consecutive quarters of declining taxable sales beginning in 1990. Figure REV-B illustrates this condition.

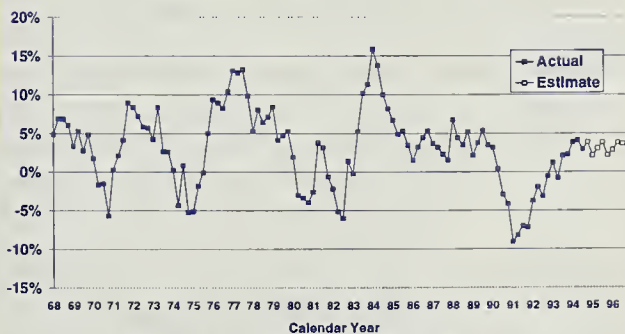
The forecasted growth in annual taxable sales for 1994 is estimated to be 5.2 percent, increasing to 6 percent by 1995. Growth in sales of motor vehicles and building supplies, representing 15 and 8 percent of total sales respectively, is expected to provide moderate strength through the forecast period. (See Figure REV-C)

TABLE REV-2
TAXABLE SALES GROWTH IN CALIFORNIA

	1993 Actual	1994 Forecast	1995 Forecast	1996 Forecast
Motor Vehicles	4.3%	6.4%	7.5%	7.4%
Fuel	1.6%	-2.9%	4.9%	3.4%
Building Materials	0.9%	5.9%	8.4%	9.4%
Manufacturing and Services	0.5%	5.7%	3.9%	5.5%
All other Retail Sales	2.8%	5.7%	6.1%	5.5%
Total Taxable Sales ^a	2.3%	5.2%	6.0%	6.0%

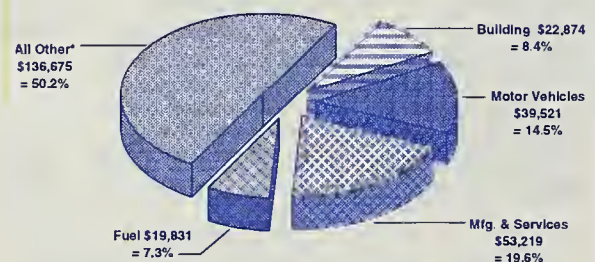
* Chapters 85 and 88, Statutes of 1991, repealed the exemptions for candy, snacks foods, bottled water, newspapers, periodicals, and common carrier fuel effective July 15, 1991. Proposition 163 reinstated the exemptions for candy, snack foods, and bottled water effective December 1, 1992 and Chapters 903 and 905, Statutes of 1992, reinstated the exemptions for subscription magazines and bunker fuel effective January 1, 1993. It is estimated that State and local governments will lose approximately \$500 million annually as a result of this action. For comparability, the growth rates in 1993 have been adjusted to exclude the estimated impact of these changes.

FIGURE REV-B
TAXABLE SALES IN CALIFORNIA^{a/}
(Annual Percent Change in Constant Dollars)



a/ Includes the impact of expanding the tax base to include candy, snack foods and bottled water from July 15, 1991 through November 30, 1992.

FIGURE REV-C
1995 TAXABLE SALES BY MAJOR COMPONENT
(Dollars in Billions)



^a Includes furniture, apparel, general merchandise, and eating & drinking establishments

Other adjustments to revenues include the following:

In June 1990, the Supreme Court ruled that direct overhead items purchased under U.S. government cost reimbursement contracts are not taxable. As a result, it is estimated that approximately \$325 million in state revenue, plus interest, will be refunded. The state has issued some refunds and is continuing to pursue solutions for the remaining cases. The budget is based on the assumption that refunds will be spread over a 5-year period beginning with 1993-94. Thus, the estimates for both the current and budget years assume \$60 million will be refunded for each year.

Current law specifies that certain state revenues from the sales tax on gasoline and diesel fuel sales be transferred to the Transportation, Planning and Development Account. The combined transfer to this Account during 1994-95 is estimated to be \$164 million, increasing to \$194 million during 1995-96.

Revenues from state-imposed sales tax revenues are delineated in Table REV-3. General Fund revenues for the current and budget years, compared with preliminary collections in 1993-94, are:

(Dollars in Millions)	
1993-94 (Preliminary)	\$13,912
1994-95 (Forecast)	14,804
1995-96 (Forecast)	14,947

BANK & CORPORATION TAX - \$4,800,000,000

The forecast includes the Governor's proposed tax rate reduction for income years beginning on and after January 1, 1996. The 9.3 percent tax rate would be reduced to 8.84 percent in 1996, 8.37 percent in 1997, and 7.91 percent in 1998. The forecast also includes the impact of various Trade & Commerce Agency initiatives with respect to enterprise zones and program areas.

Bank and corporation tax revenues are actually derived from four taxes:

- ❑ The franchise tax and the corporate income tax are levied at a 9.3 percent rate on profits. The former is imposed on corporations for the privilege of doing business in California, while the latter is imposed on corporations that do not do business in the state but derive income from California sources. These are primarily firms engaged wholly in interstate commerce and holding companies. Corporations that qualify for Sub-Chapter S status are taxed at a 1.5 percent rate. California Sub-Chapter S provisions are similar to federal Law.

- ❑ Banks and other financial corporations pay an additional tax (i.e., "Bank Tax") on their net income. This tax is in lieu of all state and local taxes except those on real property, motor vehicles and business licenses. The current rate for this tax is 2 percent. The bank tax is in addition to the franchise tax.

TABLE REV-3
SALESTAX REVENUE
(DOLLARS IN THOUSANDS)

	1993-94 Preliminary	1994-95 Forecast	1995-96 Forecast
General Fund	\$13,912,000	\$14,804,000	\$14,947,000
Local Revenue Fund	1,401,612	1,517,600	1,597,100
Children's Social Services Account (as proposed)	0	0	710,220
Local Public Safety Fund ^{1/}	701,000	0	0
Transportation, Planning, and Development Account	186,869	164,000	194,000
Disaster Relief Fund	3,152	1,462	0
Total	\$16,204,633	\$16,487,062	\$17,448,320

^{1/} This fund includes revenues from July 1, 1993 through December 31, 1993. Revenues beginning January 1, 1994 were locally imposed and are not included in this table.

□ The alternate minimum tax is similar to that in federal law. This tax is imposed at a rate of 7 percent beginning with the 1988 tax year. In prior years, California imposed a tax on preference income.

□ A minimum franchise tax of \$800 is imposed on corporations subject to the franchise tax but not on those subject to the income tax.

Since the tax is a function of corporate profits, the relationship of California profits to the national corporate profits is important. However, the relationship is not precise because business activity in California may differ from that of the nation. Also, state tax law defines profits differently than standard business accounting, and national profits, as represented by the economic forecast, are the net of all gains and losses whereas only gains are taxed.

The preparation of the forecast involves consideration of the trend in noncorporate business income, California employment, and recent actual cash experience. Noncorporate business income is available for California whereas corporate profit data are not. The forecast reflects the economic recovery and recent legislation.

Current law factors which significantly impact the forecast are the investment tax credit, net operating loss carry forwards, Sub-Chapter S provisions, and the research tax credit.

Significant legislation enacted during 1994 included AB 2880 (taxpayer nexus), AB 2925 (tax credit for trout habitat and a tax on export timber sales), AB 3144 (extends sunset dates for tax credits for employer contributions to childcare facilities), SB 469 (limited liability companies), SB 676 (cleanup for the investment tax credit), SB 1770 (broadens eligibility of employees for certain enterprise zone tax credits), and SB 1880 (provides single weighted income allocation formula for financials).

This forecast assumes that fees paid into the Unitary Fund by international corporations electing to base their profits on their U.S. rather than world-

wide operations will total \$10 million in 1994-95 and \$1 million in 1995-96, as this revenue source is phased out.

Forecast revenues for the current and budget years, compared to preliminary collections in 1993-94, are:

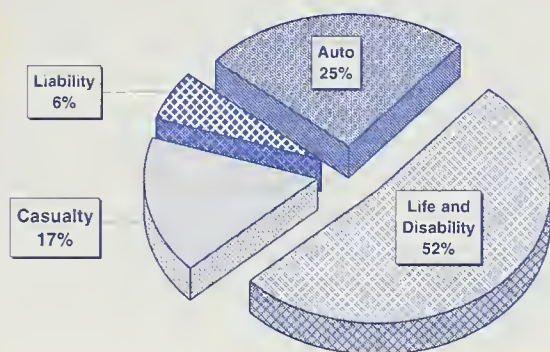
(Dollars in Millions)	
1993-94 (Preliminary)	\$4,734
1994-95 (Forecast)	5,525
1995-96 (Forecast)	4,800

INSURANCE TAX - \$1,252,000,000

The majority of insurance written in this state is subject to a 2.35 percent gross premiums tax. This premium tax takes the place of all other state and local taxes except those on real property and motor vehicles. The basis of the tax is the amount of "gross premiums" received, less return premiums, upon business done in the state, with some exceptions. Insurers transacting title insurance are taxed upon all income received in this state with the exception of interest, dividends, rents from real property, profits from the sale or disposition of investments and income arising out of investments. Ocean marine insurers are taxed upon underwriting profits at a five percent rate. Other exceptions to the 2.35 percent rate include certain pension and profit-sharing plans which are taxed at the lesser rate of 0.5 percent; surplus lines and nonadmitted insurance are taxed at 3 percent.

An annual survey conducted by the Department of Finance is used to project insurance premium growth. Responses are obtained from about 300 insurance companies, accounting for over two-thirds of the insurance written in California. Figure REV-D illustrates the proportion of premiums by insurance type, from which the revenue is derived. For 1993, \$52.4 billion in taxable premiums were reported. Whereas the results of the 1993 survey had predicted growth of 5 percent in 1994, the most recent survey indicates that taxable premiums will decline by 1.1 percent in 1994 and increase by 2.8 percent in 1995. The individual line of insurance that experienced the greatest decline between the two surveys was Workers' Compensation. Industry indications attributed this decline to the impact of reform, which became effective in July, 1993.

FIGURE REV-D
INSURANCE PREMIUMS BY CATEGORY



Due to the lower premium growth, as well as additional refunds, current year revenues are estimated to be \$230 million below 1993-94. The continuance of limited-term auditors in the Department of Insurance is expected to augment revenues by \$4 million in 1995-96. The estimated revenues for the current and budget years, compared with preliminary collections in 1993-94 are:

(Dollars in Millions)	
1993-94 (Preliminary)	\$1,197
1994-95 (Forecast)	967
1995-96 (Forecast)	1,252

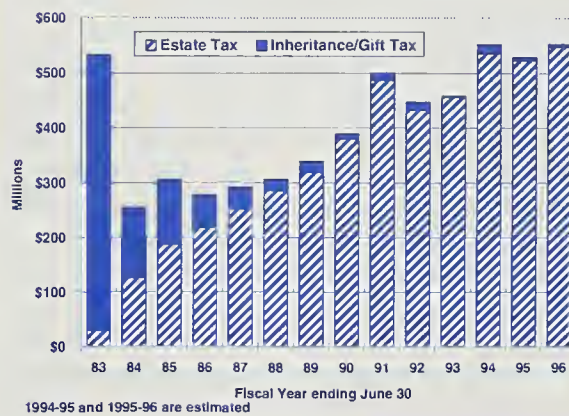
ESTATE/INHERITANCE/GIFT TAXES - \$552,000,000

Proposition 6, an initiative measure adopted by the voters on June 8, 1982, repealed the inheritance and gift taxes and imposed an estate tax designed to pick up the maximum credit allowed against the federal estate tax, otherwise known as the "pick up tax." The pick up tax is computed on the basis of the federal "taxable estate" and tax rates range from 0.8 to 16 percent. This tax does not increase the liability of the estate due to the fact that it would otherwise be paid to the federal government. The date of death or the date a gift is made determines which tax laws prevail. As a result of Proposition 6, taxes from this source dropped 54 percent between 1982-83 and 1983-84.

For state tax purposes, the former inheritance and gift taxes apply to deaths and gifts occurring prior to June 8, 1982, whereas transfers attributable to deaths on or after that date would only be subject to the federal credit. Figure REV-E displays this trend since 1983. Past year preliminary revenues and estimates for the current and budget years are:

(Dollars in Millions)	
1993-94 (Preliminary)	\$552
1994-95 (Forecast)	529
1995-96 (Forecast)	552

FIGURE REV-E
ESTATE, INHERITANCE, AND GIFT TAX REVENUES



ALCOHOLIC BEVERAGE TAXES - \$270,000,000

Taxes on alcoholic beverages are levied on the sale of beer, wine, and distilled spirits. The rates, which vary with the type of alcoholic beverage, were increased effective July 15, 1991. Current and prior rates, per gallon, are indicated in Table REV-4

TABLE REV-4
COMPARISON OF PRIOR AND CURRENT
TAX
RATE PER GALLON

	Prior	Current
Beer	\$0.04	\$0.20
Dry Wine	0.01	0.20
Sweet Wine	0.02	0.20
Sparkling Wine	0.30	0.30
Distilled Spirits	2.00	3.30

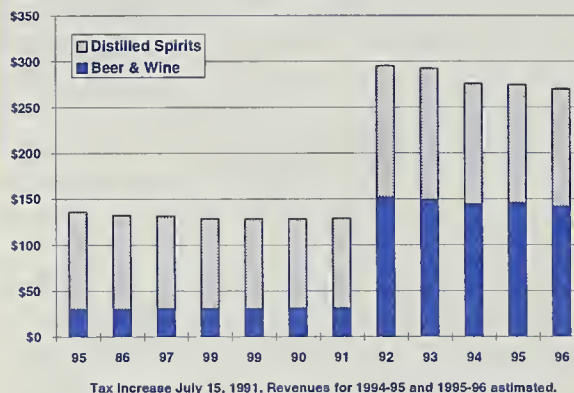
Alcoholic beverage revenue estimates are based on projections of total and per capita consumption for each type of beverage. Total consumption of all alcoholic beverages is expected to continue at about the current level, with increases in the drinking age population basically offsetting the decline in per capita consumption.

Total alcoholic beverage tax revenues from 1984-85 through 1995-96 are illustrated in Figure REV-F. Past year preliminary revenues and estimates for the current and budget years are shown in Table REV-5.

TABLE REV-5
BEER, WINE AND DISTILLED SPIRITS REVENUE
(DOLLARS IN MILLIONS)

	1993-94 Preliminary	1994-95 Forecast	1995-96 Forecast
Beer and Wine	\$ 144	\$ 145	\$ 141
Distilled Spirits	<u>132</u>	<u>129</u>	<u>129</u>
Total	\$ 276	\$ 274	\$ 270

FIGURE REV-F
ALCOHOLIC BEVERAGE TAX REVENUE
(Dollars in Millions)



Tax Increase July 15, 1991. Revenues for 1994-95 and 1995-96 estimated.

CIGARETTE TAX - \$166,300,000

The excise tax imposed on distributors selling cigarettes in California was increased to 35 cents per package, effective January 1, 1989, as a result of voter approval of Proposition 99. At the same time, an excise tax on cigars, chewing tobacco, pipe tobacco and snuff was implemented at a rate "equivalent" to the tax on cigarettes. The cigarette tax was again increased by two cents per package effective January 1, 1994 due to the passage of the Breast Cancer Act (Chapter 660, Statutes of 1993). Twenty-five cents of the tax per package of cigarettes, and the tax (equivalent to the full \$0.37 per pack rate) levied on non-cigarette tobacco products, are allocated to a special fund for distribution as determined by Proposition 99. Ten cents of the tax per package is allocated to the state's General Fund, with the remaining two cents deposited into the Breast Cancer Fund.

Projections of total and per capita consumption of cigarettes provide the basis for the cigarette tax estimate. The cumulative effect of product price increases, the increasingly restrictive environment for smokers, and state anti-smoking campaigns funded by Proposition 99 revenues will continue to significantly impact cigarette consumption. Per capita consumption had been declining at an average rate of 3 percent annually from 1983-84 through 1987-88, and then decreased rapidly with the onset of Proposi-

tion 99. During 1989-90, per capita consumption was 128 packs, compared with 90 in 1993-94. This figure equates to a 30 percent decrease in only four years. The estimated increase in the smoking-age

Per capita consumption of cigarettes, in packs, from 1981-82 through 1995-96, is illustrated in Figure REV-G. Total tobacco tax revenue estimates are shown in Table REV-6.

FIGURE REV-G
CIGARETTE CONSUMPTION
(Packages per Capita)

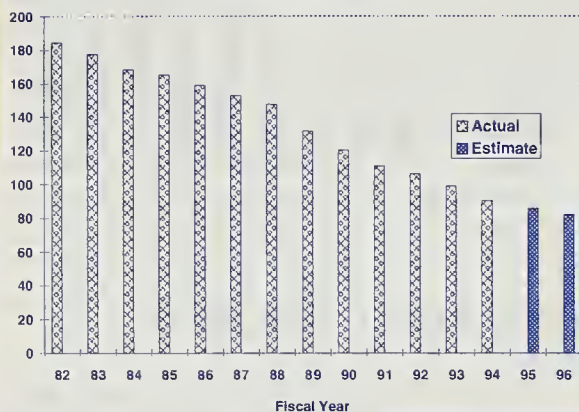


TABLE REV-6

TOBACCO TAX REVENUE
(DOLLARS IN MILLIONS)

	1993-94 Preliminary	1994-95 Forecast	1995-96 Forecast
General Fund	\$179.4	\$171.5	\$166.3
Special Fund	<u>485.8</u>	<u>482.2</u>	<u>467.7</u>
Total	\$665.2	\$653.7	\$634.0

population will not offset the declining per capita consumption in future years, resulting in declines in total consumption of approximately 5 and 4.5 percent in the current and budget years, respectively.

Wholesale price data provide the basis for the revenue estimate for other tobacco products. It is estimated that declines in total consumption of other tobacco products will be similar to the projections made for cigarettes.

HORSE RACING REVENUE - \$71,000,000

Horse racing revenue comes primarily from license fees imposed on amounts wagered by the public. The license fee revenue schedule is based upon many factors, including the amount wagered, the location of the track, the type of horse racing, the type of wager, and whether or not the wager is made on-track or at a satellite facility. Other revenue sources include breakage (the odd cents not paid to winning ticket holders), unclaimed parimutual tickets, occupational license fees, fines, and penalties.

The public may attend the live meets, or watch and wager at off-track facilities that receive the races televised live via satellite. In addition, out-of-state betting systems include their wagers in the betting pools of races taking place in California, with the state receiving a share of each dollar wagered.

TABLE REV-7

HORSE RACING REVENUE
(IN THOUSANDS)

	1993-94 Preliminary	1994-95 Forecast	1995-96 Forecast
General Fund	\$ 79,285	\$ 75,003	\$ 71,000
Fair & Exposition Fund	25,184	24,227	23,520
Satellite Wagering Account	12,877	12,813	13,342
Wildlife Restoration Fund	<u>750</u>	<u>750</u>	<u>750</u>
Total	\$118,096	\$112,793	\$108,612

Racing associations and fairs will present over 800 days of racing in 1995, featuring a variety of horse breeds and including harness racing.

Horse racing revenues to the state have declined significantly during the past ten years. The state li-

cense fee for off-track wagers is about one-half the license fee for on-track wagers. For the budget year, wagers and license fees are expected to continue declining due to lower overall wagering and continuing shifts from on-track to off-track wagering. Table REV-7 provides information on the distribution of receipts from horse racing.

SPECIAL FUND REVENUE

The California Constitution, codes, and statutes specify the uses of certain revenue. Such receipts are accounted for in various special funds. In general, Special Fund revenues comprise three categories of income:

- ☐ Receipts from tax levies that are allocated to specified functions, such as motor vehicle taxes and fees.
- ☐ Charges for special services to specific functions, including such items as business and professional license fees.
- ☐ Rental royalties and other receipts designated for particular purposes—for example, oil and gas royalties.

Motor vehicle related taxes and fees account for 60 percent of all Special Fund revenue. Principal sources of this income are motor vehicle fuel taxes, registration and weight fees, and vehicle license fees. During 1994-95, \$7.4 billion will be derived from the ownership or operation of motor vehicles. Approximately \$4.0 billion of this revenue will be returned to local governments. The remainder will be available for various state programs related to transportation and services to vehicle owners.

Chapter 85, Statutes of 1991, created a new special fund for the purpose of local program realignment. Revenue attributable to a 0.50 percent sales tax rate is transferred to this Local Revenue Fund. During 1993-94, local governments received \$1.4 billion from this revenue source. In addition to this revenue, approximately 25 percent of all vehicle license fees are transferred to this fund.

The Governor's Budget proposes to create a Children's Special Services Account that would receive revenues attributable to 0.22 percent of the state sales tax rate. The overall state tax rate would not change, but rather the General Fund share would be reduced, and the new account would receive the additional revenues. During 1995-96, \$710 million will be allocated to this new fund (see the State-Local Restructuring Section for details on this proposal).

Funds from the Proposition 99 increase in tobacco related taxes are allocated to a special fund for distribution to a variety of accounts as determined by the measure. Receipts for this fund are estimated at \$448 million in the current year and \$434 million in the budget year. An additional \$34.3 million for breast cancer research will be generated in the current year by the two cents per pack cigarette tax increase enacted in 1993, while \$33.3 million will be generated in the budget year for this purpose. The original ten cents per package tax on cigarettes is allocated to the General Fund.

MOTOR VEHICLE FEES - \$4,763,030,000

Motor vehicle fees consist of vehicle license, registration, weight, driver's license fees and various other charges related to vehicle operation.

The vehicle license fee (VLF) is imposed for the privilege of operating a vehicle on the public highways in California. This tax is imposed in lieu of a local personal property tax on automobiles and is administered by the Department of Motor Vehicles. All of the revenues from this tax, other than administrative costs and fees on trailer coaches and mobilehomes, are constitutionally dedicated to local governments.

The vehicle license fee is calculated on the vehicle's "market value", which is the cost to the purchaser exclusive of sales tax, adjusted by a depreciation schedule. For motor vehicles, the schedule is based on an 11-year depreciation period; an 18-year depreciation period is used for trailer coaches. A two percent rate is applied to the depreciated value to determine the fee. Thus, revenue from this source is contingent on the number of vehicles in the state,

the ages of those vehicles, and their most recent sales prices.

The Department of Motor Vehicles administers the VLF for trailer coaches that are not installed on permanent foundations. Those which are installed on permanent foundations (mobilehomes) are subject to either local property taxes or the VLF. Generally, if the mobilehome was purchased new prior to July 1, 1980, it is subject to the VLF which, in this instance, is administered by the Department of Housing and Community Development rather than the Department of Motor Vehicles. All other mobilehomes are subject to the local property tax. Chapter 699, Statutes of 1992, provided that all trailer coach license fees that are administered by the Department of Motor Vehicles be deposited in the General Fund. Beginning in 1994-95, all other trailer coach license fees are also deposited into the General Fund.

Allowing for scrappage and for vehicles entering and leaving the state, total fee-paid registrations (autos, trucks, trailers, and motorcycles) including a proportional factor for multi-state vehicles at year end, are estimated at 25,051,434 for 1994-95, and 25,061,745 for 1995-96. The 1994-95 number represents a small decline from the 1993-94 figure of 25,073,130. While year-over-year declines in vehicle registrations have not been observed since the 1982

recession, the total vehicle count is expected to recover along with the state's economy.

As can be seen in Figure REV-H there had been virtually no growth in new automobile and commercial truck registrations from 1985-86 until the slight improvement in 1993-94. The forecast assumes that new vehicle registrations will experience strong growth in the current year, with mild growth in the budget year. It is important to note, however, even with stronger new vehicle sales, the vehicle license fee revenue base will be dampened for several years due to the mix of older, lower valued, vehicles in the base.

Effective August 1, 1991, Chapter 87, Statutes of 1991, revised the vehicle license fee depreciation schedule, imposed a 2.2 percent surcharge on those license fees for a period of one year, and required the Department of Motor Vehicles to reclassify used vehicles based upon their actual purchase price each time the ownership of the vehicle is transferred. All of the revenue from this base change is transferred to local governments for the purpose of funding program realignment. During 1994-95, it is estimated that local governments will realize \$744.5 million from this revenue source, increasing to \$752.0 million during 1995-96.

Vehicle registration fees are levied at a flat rate of \$28 (\$29 after January 1, 1995) on all motor vehicles, trailers, semi-trailers and certain types of dollies. Trucks and trailers are also subject to fees based on their unladen vehicle weight. Proposition 111, approved by the voters in November 1990, in-

FIGURE REV-H
NEW VEHICLE REGISTRATIONS

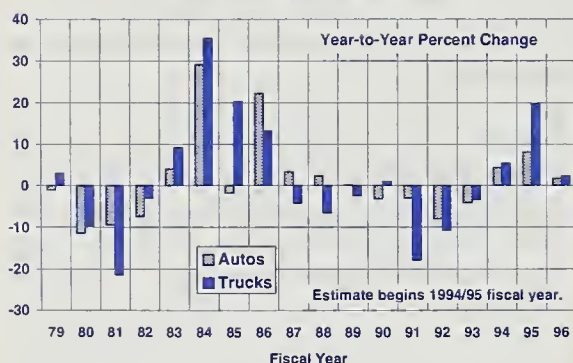


TABLE REV-8

MOTOR VEHICLE FEES REVENUE
(IN THOUSANDS)

	1993-94 Preliminary	1994-95 Forecast	1995-96 Forecast
Vehicle License Fees	\$ 2,292,340	\$ 2,342,200	\$ 2,388,200
Realignment	712,932	744,500	752,000
Registration, Weight and Other Fees	<u>1,496,221</u>	<u>1,564,330</u>	<u>1,622,830</u>
Total	\$ 4,501,493	\$ 4,651,030	\$ 4,763,030

creased the weight fees for vehicles with an unladen weight of more than 4,000 pounds by 40 percent effective August 1, 1990, with an additional 10 percent increase effective January 1, 1995.

Motor vehicle fees revenue is summarized in Table REV-8.

MOTOR VEHICLE FUEL TAXES - \$2,732,725,000

The motor vehicle fuel license tax (gasoline) and the use fuel tax (diesel) provide the major sources of funds for maintaining, replacing, and constructing state highway and transportation facilities. Close to one-half of these revenues are apportioned to local jurisdictions for streets and highway use.

The gas tax is imposed on the distribution of gasoline and other flammable liquids. Distributions of diesel fuel, liquid petroleum gas (LPG), alcohol fuel, and kerosene are not included under this tax. The current tax rate for motor vehicle fuel is 18 cents per gallon. Aircraft jet fuel is taxed at two cents per gallon.

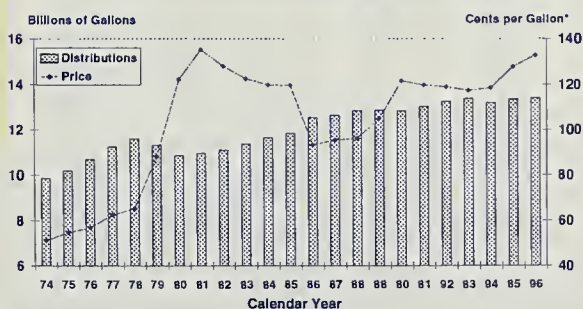
The use fuel tax is imposed on diesel fuel, LPG, natural gas, and alcohol fuel for use on state highways. The current tax rates are 18 cents per gallon of diesel fuel, seven cents per 100 cubic feet of compressed natural gas, six cents per gallon of LPG or liquid natural gas, and nine cents per gallon of alco-

hol fuel. In addition, a person may elect to pay a flat rate fuel tax based on vehicle weight in lieu of the tax on LPG. Local transit systems and certain common carriers pay one cent per gallon.

Gasoline consumption and tax revenues are sensitive to the retail price of fuel. (See Figure REV-I). The impact of the Persian Gulf War on gasoline prices is evident during 1990 where seasonally adjusted prices jumped from \$0.96 per gallon for the first quarter of the calendar year to \$1.32 for the fourth quarter. This increase was short lived, however, and prices had declined to \$1.02 per gallon by the second quarter of 1991. Since that time, prices have been fairly constant, with slight increases over the past two years. By the fourth quarter of calendar year 1995, gasoline prices are estimated to be in the range of \$1.30 per gallon.

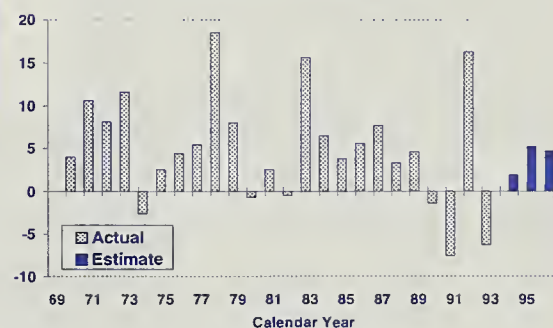
Gasoline consumption is basically stable, with conservation efforts thought to be offsetting economically-driven growth. Consumption is estimated to be relatively flat over the forecast period, increasing 0.6 percent during 1994-95 and 0.8 percent during 1995-96. The majority of diesel fuel is consumed by the commercial trucking industry and, as a result, consumption is impacted more by the general health of the economy than by price. As can be seen in Figure REV-J, diesel fuel consumption declined 6.3 percent in calendar year 1993, but is expected to

FIGURE REV-I
GASOLINE DISTRIBUTIONS AND AVERAGE PRICE PER GALLON



*Excluding sales tax 1994, 1995 and 1996 are estimated

FIGURE REV-J
DIESEL FUEL DISTRIBUTIONS
(Year-to-Year Percent Change)



grow by 1.9 percent in calendar year 1994 as a reflection of the improving economy.

Proposition III, which was enacted November 1990, increased gasoline and diesel fuel tax rates by five cents per gallon effective August 1, 1990, with an additional one cent per gallon increase each January 1 thereafter for four years, bringing the tax rate to 18 cents per gallon effective January 1, 1994. This increase is estimated to generate \$1,345 million during 1994-95 and \$1,363 million during 1995-96 for transportation purposes.

Motor vehicle fuel revenues are shown in Table REV-9.

TABLE REV-9

MOTOR VEHICLE FUEL TAX REVENUE^{1/}
(DOLLARS IN THOUSANDS)

	1993-94 Preliminary	1994-95 Forecast	1995-96 Forecast
Gasoline	\$2,209,227	\$2,349,973	\$2,367,678
Diesel	<u>314,910</u>	<u>348,326</u>	<u>365,047</u>
Total	\$2,524,137	\$2,698,299	\$2,732,725

^{1/} Does not include jet fuel.

TABLE REV-10

SUMMARY OF STATE TAX COLLECTIONS
(EXCLUDES DEPARTMENTAL, INTEREST AND MISCELLANEOUS REVENUE)

	State Tax Collections (In Millions)			Taxes per Capita ^{1/}		Taxes per \$100 of Personal Income ^{3/}	
	Per Capita Personal Income ^{1/2/}	General Fund	Total	General Fund	Total	General Fund	Total
1967-68	\$3,849	\$3,558	\$4,676	\$185.55	\$243.86	\$4.82	\$6.34
1968-69	4,165	3,963	5,173	203.94	266.21	4.90	6.39
1969-70	4,484	4,126	5,409	208.96	273.94	4.66	6.11
1970-71	4,738	4,290	5,598	214.08	279.36	4.52	5.90
1971-72	4,954	5,213	6,597	256.22	324.24	5.17	6.54
1972-73	5,353	5,758	7,231	279.72	351.28	5.23	6.56
1973-74	5,826	6,377	7,877	305.57	377.45	5.25	6.48
1974-75	6,423	8,043	9,572	379.85	452.06	5.91	7.04
1975-76	6,934	9,050	10,680	420.19	495.87	6.06	7.15
1976-77	7,630	10,781	12,525	491.48	570.98	6.44	7.48
1977-78	8,339	12,951	14,825	579.41	663.25	6.95	7.95
1978-79	9,365	14,188	16,201	621.30	709.45	6.63	7.58
1979-80	10,523	16,904	19,057	726.83	819.41	6.91	7.79
1980-81	11,688	17,808	20,000	748.80	840.97	6.41	7.20
1981-82	12,841	19,053	21,501	784.78	885.62	6.11	6.90
1982-83	13,418	19,567	22,359	788.83	901.39	5.88	6.72
1983-84	14,122	22,300	25,674	880.14	1,013.30	6.23	7.18
1984-85	15,392	25,515	29,039	988.34	1,124.85	6.42	7.31
1985-86	16,338	26,974	30,898	1,021.63	1,170.25	6.25	7.16
1986-87	17,114	31,331	35,368	1,158.18	1,307.41	6.77	7.64
1987-88	17,870	31,228	35,611	1,126.67	1,284.81	6.30	7.19
1988-89	18,753	35,647	40,613	1,255.49	1,430.39	6.70	7.63
1989-90	19,671	37,248	43,052	1,278.16	1,477.32	6.50	7.51
1990-91	20,606	36,828	43,556	1,228.58	1,453.03	5.96	7.05
1991-92	20,717	40,072	48,856	1,307.58	1,594.20	6.31	7.70
1992-93	21,320	39,197	48,230	1,252.30	1,540.89	5.87	7.23
1993-94 ^{p/}	21,517	38,548	48,417	1,214.42	1,525.33	5.64	7.09
1994-95 ^{e/}	22,088	40,867	50,394	1,268.26	1,563.91	5.74	7.08
1995-96 ^{e/}	23,136	41,585	52,053	1,267.87	1,587.03	5.48	6.86

^{1/} Per Capita computations are based on July 1 populations estimates, benchmarked to the 1990 Census.

^{2/} Personal income data are on a calendar year basis (e.g., 1987 for 1987-88).

^{3/} Taxes per \$100 personal income computed using calendar year personal income e.g. 1987 income related to 1987-88 tax collections.

^{p/} Preliminary

^{e/} Estimated

**TABLE REV-11
OUTLINE OF STATE TAX SYSTEM AS OF
JANUARY 1, 1995**

Major Taxes and Fees	Base or Measure	Rate	Administering Agency	Fund
Alcoholic Beverage Excise Taxes:				
Beer	Gallon	\$0.20	Equalization ¹	General
Distilled Spirits	Gallon	\$3.30	Equalization	General
Dry Wine	Gallon	\$0.20	Equalization	General
Sweet Wine	Gallon	\$0.20	Equalization	General
Sparkling Wine	Gallon	\$0.30	Equalization	General
Hard Cider	Gallon	\$0.20	Equalization	General
Bank and Corporation:				
General Corporation	Net income	9.3% ²	Franchise ³	General
Bank and Financial Corp.	Net income	11.3%	Franchise	General
Alternate Minimum Tax	Alternate Taxable Income	7.0%	Franchise	General
Tobacco:				
Cigarette	Package	\$0.37 ⁴	Equalization	Cigarette Tax, Cigarette and Tobacco Products Surtax, and Breast Cancer Act
Other Tobacco Products	Wholesale price	31.20%	Equalization	Cigarette and Tobacco Products Surtax
Energy Resources Surcharge	Kilowatt hours	\$0.0002	Equalization	Energy Resources Surcharge Fund
Horse Racing License	Amount wagered	0.5-6.45%	Horse Racing Board	Fair & Expo ⁵ , Satellite Wagering ⁶ , Wildlife Restoration, and General
Estate	Taxable Federal estate	0.8-16%	Controller	General
Insurance	Gross Premiums	2.35% ⁷	Insurance Dept.	General
Liquor license fees	Type of license	Various	Alcoholic Beverage Control	General
Motor Vehicle:				
Vehicle License Fees	Market value	2.0%	Motor Vehicle Dept	Motor Vehicle License Fee and Local Revenue ⁸
Fuel—Gasoline	Gallon	\$0.18	Equalization	Motor Vehicle Fuel ⁹
Fuel—Diesel	Gallon	\$0.18	Equalization	Motor Vehicle Fuel
Registration Fees	Vehicle	\$29.00	Motor Vehicle Dept	Motor Vehicle ¹⁰
Weight Fees	Unladen weight	Various	Motor Vehicle Dept	State Highway ¹¹
Personal Income	Taxable income	1-11%	Franchise	General
Alternate Minimum Tax	Alternate Taxable Income	8.5%	Franchise	General
Private Railroad Car	Valuation	¹²	Equalization	General
Retail Sales and Use	Receipts from sales or lease of taxable items	5.50% ¹³	Equalization	General and Local Revenue

Source: State of California, Department of Finance

¹ State Board of Equalization.

² Minimum tax \$800 per year.

³ Franchise Tax Board

⁴ This tax is levied at the combined rate of 10 cents per pack of 20 cigarettes for the General Fund, 25 cents per pack for the Cigarette and Tobacco Products Surtax, and 2 cents per pack for the Breast Cancer Act. An equivalent tax is levied on other tobacco products.

⁵ For support of county fairs and other activities.

⁶ For construction of Satellite Wagering Facilities and health and safety repairs at fair sites.

⁷ Ocean marine insurance is taxed at the rate of 5 percent of underwriting profit attributable to California business. Special rates also apply to certain pension and profit sharing plans, surplus lines, and nonadmitted insurance.

⁸ For return to cities and counties. Trailer coach license fees are deposited in the General Fund.

⁹ For administrative expenses and apportionment to State, counties and cities for highways, airports and small craft harbors.

¹⁰ For support of State Department of Motor Vehicles, California Highway Patrol, other agencies and motor vehicle related programs.

¹¹ For state highways and State Department of Motor Vehicles administrative expense.

¹² Average property tax rate in the State during preceding year.

¹³ Includes a 5.00% rate for the State General Fund and Transportation Fund and a 0.50% rate to the Local Revenue Fund for realignment.

TABLE REV-12
COMPARATIVE YIELD OF STATE TAXES, 1970-71 THROUGH 1995-96
INCLUDES BOTH GENERAL AND SPECIAL FUNDS
(DOLLARS IN THOUSANDS)

Year Ending June 30	Sales and Use	Personal Income	Bank and Corporation (a)	Tobacco (b)	Estate Inheritance and Gift (c)	Insurance (d)	Alcoholic Beverage (e)	Horse Racing (f)	Motor Vehicle Fuel (g)	Vehicle Fees (h)
1971	\$1,808,052	\$1,264,383	\$532,091	\$239,721	\$185,699	\$158,423	\$106,556	\$64,601	\$674,635	\$513,202
1972	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	69,380	712,426	547,845
1973	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	72,693	746,196	596,922
1974	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	78,289	742,702	644,448
1975	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	86,637	752,234	664,453
1976	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	96,117	766,555	749,936
1977	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	102,702	810,321	807,782
1978	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	111,591	850,181	924,410
1979	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	112,856	896,591	1,021,856
1980	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	127,002	852,752	1,096,640
1981	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	129,779	839,994	1,127,293
1982	7,689,023	7,483,007	2,648,735	276,824	482,300	454,984	139,523	119,626	833,446	1,373,354
1983	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	120,159	928,633	1,614,993
1984	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	141,001	1,213,167	1,906,290
1985	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	135,786	133,814	1,159,637	2,137,326
1986	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	131,592	1,194,172	2,515,295
1987	10,904,022	13,924,527	4,800,843	255,076	273,089	1,008,804	131,288	131,733	1,245,881	2,692,835
1988	11,650,531	12,950,346	4,776,388	250,572	304,148	1,158,321	128,734	132,208	1,293,254	2,966,334
1989	12,650,893	15,889,179	5,138,009	559,617	335,091	1,317,630	128,264	143,379	1,320,512	3,139,011
1990	13,917,771	16,906,568	4,965,389	787,076	388,527	1,167,684	128,524	147,920	1,349,146	3,305,711
1991	13,839,573	16,852,079	4,544,783	745,074	498,774	1,287,152	129,640	148,279	1,999,771	3,495,194
1992	17,458,521	17,242,816	4,538,451	726,064	446,696	1,167,307	321,351	128,596	2,457,229	4,369,862
1993	16,598,863	17,358,751	4,659,950	677,846	458,433	1,188,181	292,107	119,202	2,412,574	4,470,321
1994 (i)	14,803,021	17,590,000	4,787,474	665,229	552,000	1,197,000	276,000	118,096	2,525,511	4,501,493
1995 *	14,969,462	18,485,000	5,534,950	653,700	529,000	967,000	274,000	112,793	2,699,799	4,651,030
1996 *	15,851,220	19,490,000	4,801,000	634,000	552,000	1,252,000	270,000	108,612	2,734,225	4,763,030

(a) Includes the corporation income tax and, commencing with 1989 data, the unitary election fee.

(b) Proposition 99 (November 1988) increased the cigarette tax to \$0.35 per pack and added an equivalent tax to other tobacco products. The Breast Cancer Act added \$0.02 per pack effective 1/1/94.

(c) Proposition 6 (June 1982) repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable Federal estate tax credit effective for decedents dying on or after June 8, 1982.

(d) The conclusion of litigation resulted in additional revenue of \$51 million in 1987-88, \$178 million in 1988-89, \$7 million in 1990-91, \$5 million in 1991-92, in refunds of \$46 million in 1993-94, and may result in additional refunds in 1994-95.

(e) Alcoholic beverage excise taxes were significantly increased effective July 15, 1991.

(f) Beginning in 1988-89, includes revenues from satellite wagering that were not included in prior years.

(g) Motor vehicle fuel tax (gasoline), use fuel tax (diesel and other fuels), and jet fuel.

(h) Registration and weight fees, motor vehicle license fees, and other fees.

(i) Some figures for 1994 may be preliminary.

* Estimated

Demographic Outlook

California's population as of July 1994 was 32.1 million, an increase of approximately 400,000 persons from 1993. This was a growth rate of 1.2 percent, the slowest rate of increase since 1971-72. (See Figure DEM-A) The State's growth rate has been decreasing each year since 1989-90 when it was 2.9 percent.

The growth rate in California of the past four years is expected to respond to the improving economic climate in the State in 1994-95 and stop its downward trend. We anticipate a population increase in 1994-95 between 500,000 and 600,000 persons and would expect the rate of change in the next several years to return to the two percent range of the early 1990s.

The components of population change during 1993-94 were composed of natural increase (births minus deaths) of 361,000 and net migration of 33,000. Almost all of the State's growth in 1993-94 (92 percent) was due to natural increase and births and deaths will vary little in the next few years however net migration is expected to increase. Foreign net migration has been approximately 300,000 the past two years and is expected to remain at that level, on the other hand we expect that with the

improving economy in California to experience more persons moving to California from other States and fewer persons leaving California to reside in another State. The past two years we saw strong domestic net out-migration.

California's population continues to be dynamic. Overall since 1990 the population has grown by 7.5 percent. However the growth rates differ significantly by age group. While the working age population increased by 5.5 percent, those less than 18 years old grew by nearly double that rate and the older populations expanded by 8.7 percent. (See Figure DEM-B) At the same time, the race/ethnic mix of the State continued to diversify, with less than half of the babies being born in the State to White women and continued high levels of foreign immigration.

Like California's population, public school enrollment has continued a pattern of declining growth started in 1990-91. The growth rate for graded public school enrollment fell from 3.7 percent in 1989 to 1990 to 1.5 percent in 1992 to 1993. The annual number of new students dropped from 173,000 to 76,000. School enrollment continues to grow faster than the total population reflecting the rising number of births that occurred in the State during the 1980s. Enroll-

FIGURE DEM-A
POPULATION GROWTH RATE

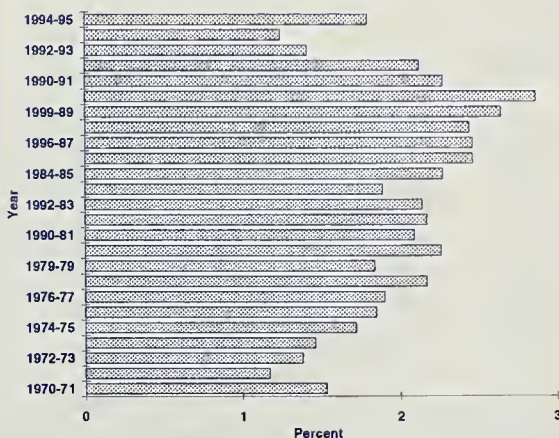
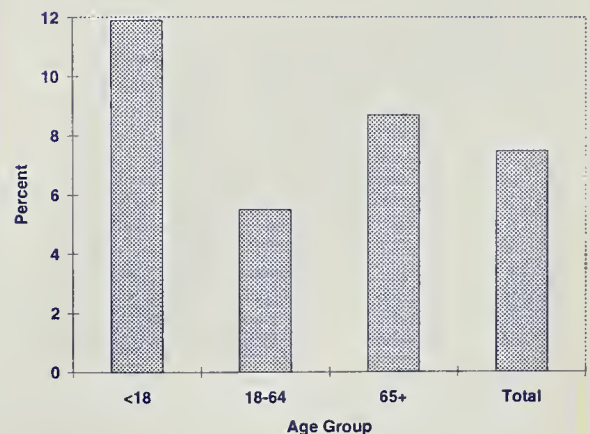
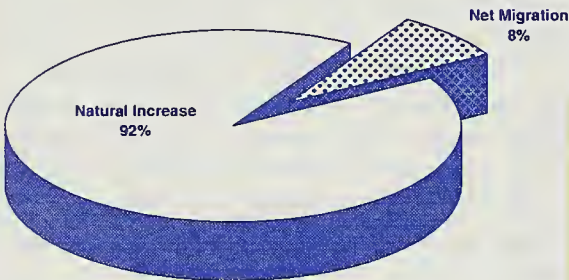


FIGURE DEM-B
GROWTH BY AGE 1990-94 RATE



ment is expected to grow at approximately last year's rate, 1.5 percent, between 1993 and 1994. By 1995 annual growth is expected to exceed 100,000 new students per year through the remainder of the decade, but to remain under 150,000 new students annually.

FIGURE DEM-C
COMPONENTS OF POPULATION CHANGE



Providing the highest quality education in a safe learning environment for the 5.5 million children in our K-12 public schools continues to be the first priority of the Administration. As indicated in Table K12-1 over \$30 billion will be devoted to California's 1,001 school districts and 58 county offices of education. Figure K12-A displays the various sources of revenue for schools.

Elementary and Secondary Education

Primarily due to upwardly revised state revenue growth estimates for 1994-95 and 1995-96, schools will see for the first time in recent years a cost-of-living adjustment (COLA) for

revenue limit apportionments and Special Education. The COLA rate is currently estimated at 2.2 percent. In addition, the level of resources provided results in a 1994-95 K-12 per pupil expenditure level of \$4,231, growing to \$4,292 in the budget year (see Table K12-2).

FIGURE K12-A
REVENUE FOR CALIFORNIA'S K-12 SCHOOLS
SOURCE OF REVENUES
(Dollars in Billions, Percent of Total)

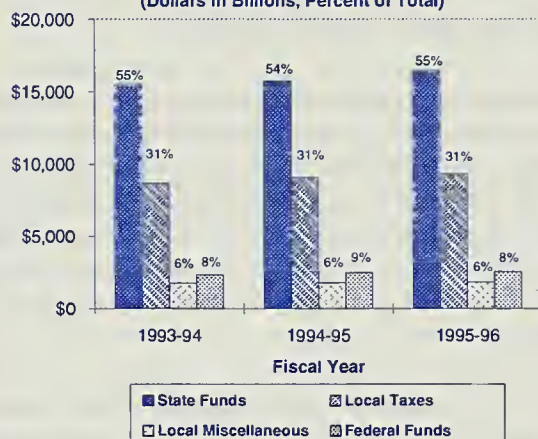


TABLE K12-2

K-12 FUNDING PER PUPIL PROPOSITION 98 AND RELATED FUNDING (DOLLARS IN THOUSANDS)

	1993-94	1994-95	1995-96
General Fund	\$13,090,812	\$13,506,393	\$14,164,750
Shift	-190,221	—	—
Local Revenue	8,135,747	8,563,196	8,809,205
Non-Prop 98 Loan	608,691	—	—
Total	\$21,645,029	\$22,069,589	\$22,973,955
Proposition 98 ADA	5,122,836	5,216,171	5,352,831
Dollars Per ADA	4,225	4,231	4,292

TABLE K12-1

TOTAL REVENUE FOR K-12 EDUCATION (DOLLARS IN MILLIONS)

Source of Funds	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95 ^{1/}	1995-96 ^{1/}	Change	
								Amount	Percent
State General Fund ^{2/}	\$14,682	\$15,498	\$16,266	\$16,250	\$14,899	\$15,116	\$15,799	\$683	4.5
Lottery Fund	789	646	399	501	556	568	568	—	—
Other State Funds	114	78	115	47	50	47	50	3	6.4
Federal Funds	1,589	1,780	1,983	2,137	2,329	2,476	2,558	82	3.3
Local Property Taxes	4,521	5,007	5,319	6,475	8,245	8,651	8,899	248	2.9
Local Debt Service Taxes	303	305	317	364	366	369	371	2	.5
Local Miscellaneous	1,876	1,723	1,733	1,713	1,748	1,782	1,818	36	2.0
Total Revenue	\$23,874	\$25,037	\$26,132	\$27,487	\$28,193	\$29,009	\$30,063	\$1,054	3.6
Unduplicated ADA	4,899,319	5,065,341	5,221,069	5,364,976	5,413,036	5,524,520	5,667,552	143,032	2.6

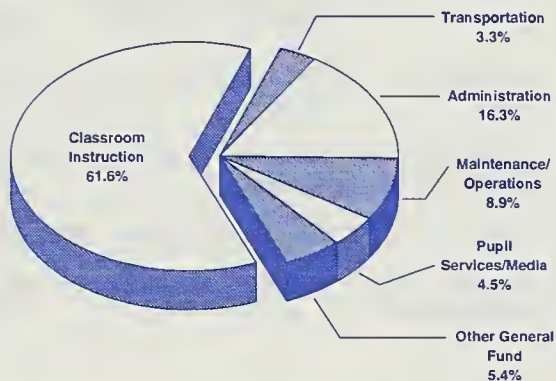
^{1/} Estimated.

^{2/} State General Fund is adjusted to reflect local expenditures for the year in which the funds were received.

Of the funding reported by schools from their general fund, schools are spending about 62 percent of their revenue on classroom instruction. All costs shown in Figure K12-B are those reported to the state by schools using the definitions specified in the California School Accounting Manual.

Total average daily attendance is estimated to be 5,667,552 in 1995-96, an increase of 143,032 (2.59 percent) over the prior year. K-12 enrollment is expected to grow by over 22 percent over the ten-year period beginning with 1993-94 (see Table K12-3).

**FIGURE K12-B
WHERE SCHOOLS SPEND THEIR MONEY**



Classroom Instruction Includes general education, special education, and special projects. Administration Includes instructional administration, school site administration, special projects administration, superintendent and board, district administration, other administration, centralized EDP, and maintenance and operations for administration. Maintenance and Operations Includes utilities, janitorial and groundskeeping staff, and routine repair and maintenance. Pupil Services Includes counselors, school psychologists, nurses, child welfare, and attendance staff. Media Includes libraries and media centers. Other General Fund Includes spending for tuition, facilities, contracts with other agencies, and transfers to and from other district funds. (Based on 1992-93 data reported by schools.)

TABLE K12-3

K-12 ENROLLMENT

	Enrollment	Growth Rate
1993-94	5,166,261	1.50
1994-95	5,245,000	1.52
1995-96	5,382,000	2.61
1996-97	5,526,000	2.68
1997-98	5,662,000	2.47
1998-99	5,784,000	2.15
1999-2000	5,909,000	2.16
2000-01	6,041,000	2.24
2001-02	6,180,000	2.30
2002-03	6,329,000	2.41

GOVERNOR'S INITIATIVES

Education and public safety have been the top two priorities in every budget proposed by the Administration. In fact, the Governor has supported the increased funding necessary to meet the growing enrollment of California's schools, while also promoting reforms such as charter schools, school safety, parental choice, and better health care services for children in our schools.

However, many parents believe that their children are not receiving the same quality of education that they received. The Administration also is concerned that too many of our children are not getting a solid foundation in basic skills. Such a foundation is prerequisite to more sophisticated abilities to apply knowledge and solve problems, and thus is absolutely necessary to success in the workplace and in life.

For this reason, the Governor recruited the Education Commission of the States (ECS), to examine California's public schools by bringing together all interested individuals and organizations to work towards a consensus reform agenda. The report will be released early this year.

The ECS report will contribute elements to an aggressive reform package that the Administration will put forth and seek to implement over the next two years. In support of such reforms, the 1995-96 Governor's Budget includes the following initiatives:

School Safety. Too many public schools are not providing a learning environment that is safe and orderly--basic preconditions for education to occur. Teachers cannot teach and students cannot learn in a school setting where both are preoccupied with issues of safety and discipline.

While the Administration signed into law in 1994 a package of school safety bills that created zero tolerance zones, strengthened expulsion requirements, provided greater public disclosure of youth offenders, established dress codes, enhanced cooperation between schools, law enforcement, and the judiciary, there is still much to be done.

The Administration is therefore proposing to solidify its zero tolerance policy by further strengthening the suspension and expulsion requirements for those pupils who attempt to cause injury with a firearm or knife, or who sell a controlled substance on the school ground, by requiring that the pupil be placed in an alternative education program. The Governor's Budget includes a \$10 million augmentation for the estimated half-year cost of the proposal.

The Administration also recognizes that school safety problems are similar to community law enforcement problems and that communities and schools need to work together to solve these issues. Therefore, the Administration is proposing to increase funding for the School/Law Enforcement Partnership within the Attorney General's Office and the Department of Education for the specific purpose of providing technical assistance to local communities to develop partnerships and strategies to improve school safety.

Standards, Testing, and Accountability. In his 1994-95 budget, Governor Wilson proposed an \$8 million augmentation to continue the development and implementation of a new statewide pupil assessment program. This program was intended to assist parents and teachers in identifying individual students' academic strengths and weaknesses, in order to improve teaching and learning. Legislation to extend the authorization of the testing program, however, failed to provide sufficient assurances that it would produce valid, reliable individual student results. Consequently, the Governor vetoed the leg-

islation, and funding for the testing program was reduced from \$23.5 million in 1993-94 to \$6.3 million in 1994-95.

For 1995-96, the Governor is proposing an augmentation of \$7 million to establish a revised statewide assessment program. This program will provide valid, reliable, and comparable individual student scores, as well as school- and district-level scores, for pupils in grades 2 through 12, based on state-approved tests; districts will receive a specified amount per student tested. For 1995-96, incentive funding would be provided for grades 4, 7, and 10 only. In grades 4, 5, 8, and 10, school- and district-level scores will also incorporate the results of "performance-based" assessments, designed to measure students' more sophisticated abilities to apply knowledge. The assessments will be developed by a private test publisher, under contract to the State Board of Education, and will begin after 1995-96.

School Construction. Prior to the passage of Proposition 13 in 1978, local school districts had the primary responsibility for financing their own school construction and did so from resources derived primarily from the sale of local general obligation bonds or by borrowing from the State. However, following the passage of Proposition 13, the State became the provider of first resort for school construction. From 1982 through 1992, the State has provided \$7.75 billion in general obligation bonds for school facilities. Now, due to the failure of the proposed bond in June 1994, as well as the lack of a bond on the November 1994 ballot, there is no funding available to support the state program. The program has reached the point that a school construction project applied for in 1994 will not likely be built until the next century.

In recognition of the fact that the voters will not have the opportunity to consider a school facilities bond act until March 1996, the Governor is proposing an additional funding option for schools. This new program will be an alternative to the existing State School Building Lease Purchase Program, and will serve as both an interim option and a continuing alternative approach for school districts if and when new bonds are authorized. This new program will

be a loan program to be repaid from district apportionments, and the state funds will be made available through the sale of revenue bonds. For those districts meeting specified hardship criteria, Proposition 98 funds will be provided to cover part of the cost of the district's loan repayment. Under this program, districts will be able to provide classrooms for all new population growth in a timely manner because loans for growth will be available when needed. The value of the loans will be based on the cost of providing relocatable buildings to accommodate new enrollment growth in a district. Loans also will be available for modernization and site acquisition.

Since districts will be using their own funds in addition to funds borrowed from the State, districts will be allowed considerable discretion regarding cost, size and type of facilities constructed and will have local incentives to make prudent construction decisions. In addition, districts will not have to wait years for funding as they do under the existing program nor will they have to continue dealing with complex state regulations. To make it easier for districts to win passage of local general obligation bonds, the Administration continues to support amending the State Constitution to reduce the vote requirement from two-thirds to a simple majority.

Healthy Start. The Governor's Budget proposes an increase of \$20 million to the \$19 million base amount for the Healthy Start program. These funds will expand the coordination and integration of health and social services for children at school sites. The Healthy Start program is an important component of the multi-phase Comprehensive Integrated School-Linked Services effort. This augmentation will double the number of new operational sites which can be funded annually. The initial cohort of operational sites funded at this higher level is estimated to encompass over 300 additional schools. When fully operational in 1997-98, the second operational year of the new grants, approximately 100,000 additional student contacts will be initiated annually. In addition, the Governor's Budget proposes an increase of \$1.7 million in state operations to support this expansion in services and to assist Healthy Start programs maintain their services following the

three-year state grant period. This increase in state operations also will provide support for initiating health and social services in schools not receiving Healthy Start program operational grants.

Preschool Program Expansion. Increased investment in high-quality preschool programs for children from our poorest families is a cornerstone of the Governor's prevention agenda. Research indicates that each dollar invested in such programs can return more than \$7 in avoided costs of crime, welfare, and remedial education. Therefore, the Administration proposes a \$20 million expansion of the State Preschool Program. Allowing for lead time to develop provider capacity, this augmentation reflects half-year funding to serve approximately 17,000 additional preschool-age children of low-income families. This expansion benefits preschool-aged children through developmental and social skills development.

Early Mental Health. Children who are at risk of school failure will continue to receive intervention and prevention services to enhance their educational, social, emotional, and mental health development. The Administration proposes a \$2 million augmentation to replace the loss of one-time funds in the current year. The proposed augmentation is necessary to maintain a \$12 million program level which provides services to approximately 40,000 children.

Parent/Mentor Involvement. Increases in juvenile crime and the negative consequences of children raised without proper guidance and support creates an urgent need to match at-risk children and youth with caring adult role models. One-to-one mentoring by volunteers and mentors can change young attitudes, resulting in more positive behavior and academic progress that in turn leads to productive, law-abiding citizens. To meet this growing need, the budget proposes \$5 million to fund the Academic Volunteer and Mentor Program, authorized by Chapter 901, Statutes of 1992.

HIGHLIGHTS OF THE K-12 BUDGET

In addition to the Governor's initiatives described above, the following significant items are proposed for 1995-96:

- ❑ Statutory growth of \$465.8 million for school district and county office of education apportionments.
- ❑ Statutory growth of \$66.7 million for the Special Education program.
- ❑ Cost-of-living adjustment of \$444.2 million, a rate of about 2.2 percent.
- ❑ The Governor's Budget reflects additional State costs of \$196.6 million for 1994-95 due to revised ADA and property tax estimates.
- ❑ Since school district and county offices of education apportionments have been continuously appropriated through statute since 1993-94, the 1995-96 apportionments will not appear in the Budget Act.
- ❑ \$38.8 million to replace one-time funding for the categorical mega-item.
- ❑ \$5 million to expand California Technology Centers to increase regional technical assistance and staff development services throughout the State.
- ❑ \$3.5 million to fund costs in 1995-96 of a new voluntary desegregation program in the Redwood City School District.
- ❑ \$2 million in grants to local education agencies for the implementation of teacher recruitment plans for the purpose of recruiting bilingual teachers.
- ❑ \$2 million to provide services which result in increased participation rates of underrepresented groups in higher education.

- ❑ \$1.2 million for the School/Law Enforcement Partnership program to provide technical assistance to local communities to develop partnerships and strategies to improve school safety.
- ❑ \$1.1 million to expand the Gang Risk Intervention program.
- ❑ \$0.7 million for scoring of additional Golden State examinations, development of an additional Golden State examination, and further development of career/technical examinations.
- ❑ \$1.1 million for the Partnership Academy program to initiate 50 new planning grants and provide full funding for the 45 existing academies.

Funds available for reappropriation from various Proposition 98 prior year appropriations are used for the following augmentations:

- ❑ Deficiency funding of \$9.4 million for 1994-95 for the Special Education program, reflecting the revised property tax revenues in the current year.

TABLE K12-4

PROPOSITION 98 (DOLLARS IN THOUSANDS)

Proposition 98 Appropriation	1993-94	1994-95	1995-96
State General Fund	\$14,103,483	\$14,885,394	\$15,853,854
Local Revenue	<u>9,414,222</u>	<u>9,932,194</u>	<u>10,191,598</u>
Total	\$23,517,705	\$24,817,588	\$26,045,452
State General Fund Distribution			
Department of Developmental Services	17,556	17,479	17,048
Department of Mental Health	10,000	14,900	15,400
Department of Youth Authority	34,483	40,349	42,624
Department of Education	13,105,396	13,520,560	14,178,108
California Community Colleges	936,048	1,157,136	1,221,648
Loan Repayment Account	<u>-----</u>	<u>134,970</u>	<u>379,026</u>
Total	\$14,103,483	\$14,885,394	\$15,853,854
Proposition 98 Appropriations			
Percentage Share of General Fund			
SAL ^{1/} Revenues and Transfers	36.3%	36.2%	37.9%

^{1/} State Appropriations Limit, Article XIII B

- ❑ \$0.8 million to fund deficiencies in 1990-91 and 1991-92 for voluntary and court-ordered desegregation programs in various school districts.
- ❑ \$1.2 million for the 1993-94 deficiency in the Adults in Correctional Facilities program.

PROPOSITION 98 FUNDING GUARANTEE

- ❑ In 1995-96, the total Proposition 98 guarantee is estimated to increase \$1.2 billion or 4.9 percent, over the prior year. The General Fund contributes about 61 percent of the total guarantee (see Table K12-4).
- ❑ State revenues for 1994-95 have increased over the July estimate; the State now owes about \$205.7 million to satisfy the 1994-95 Proposition 98 guarantee. The Governor's Budget proposes to spend the \$205.7 million on one-time uses, as specified below.

The following K-12 one-time augmentations, along with \$53 million for community colleges, are in satisfaction of the increased 1994-95 Proposition 98 funding requirements:

- ❑ \$25.2 million for deferred maintenance.
- ❑ \$25.2 million for K-12 instructional materials.
- ❑ \$30 million as a set-aside for the *Long Beach Unified School District v. State* desegregation court case.
- ❑ \$25 million for an education technology initiative.
- ❑ \$20 million to provide a portion of the match required for federal funds to be received by California to repair school buildings damaged in the

January 17, 1994 Northridge Earthquake. The \$45 million balance of the estimated \$65 million required match will be provided from school facilities bonds.

- ❑ \$17.8 million to provide funding for the balance of pending claims for the Civic Center Mandate.
- ❑ \$5.9 million to fund deficiencies in 1990-91 and 1991-92 for voluntary and court-ordered desegregation programs in various school districts.
- ❑ \$3.5 million to fund costs in 1994-95 of a new voluntary desegregation program in the Redwood City School District.
- ❑ The Proposition 98 funding level does not reflect any potential impact of a decision in *California Teachers Association, et. al. v. Gould, et. al.*, currently pending in the Court of Appeal. However, since loan repayments on the \$1.8 billion in State loans to schools are part of the appeal, they have been set aside in a loan repayment account.
- ❑ The Proposition 98 guarantee, a calculation based in part on year-to-year change in pupil attendance, does not reflect any potential changes in attendance of K-12 undocumented immigrant children. The significant effects of Proposition 187 on pupil attendance are not expected to occur until the 1996-97 school year.
- ❑ The 1995-96 Governor's Budget also proposes to allocate a 0.2215 cent of the existing sales tax revenues to counties. These funds, however, will still be counted as State General Fund tax proceeds so that schools continue to receive their share of this revenue as provided by the Proposition 98 guarantee calculation.

Higher Education

Support of higher education has been a historic tradition in California, and the Administration proposes to strengthen that commitment in the 1995-96

Governor's Budget. The Administration understands how vitally important our public colleges and universities are to California's capacity to compete in the global economy of the 21st century. For, without a highly educated workforce, and without the basic and applied research that our colleges and universities bring to all of California, it will be impossible to maintain the State's long-term competitiveness.

The 1995-96 budget represents the first year of a four-year plan for the University of California (UC) and California State University (CSU) to strengthen their budgets and ensure their continued excellence. This plan is described in detail in the section "Building Access to Higher Education," earlier in the Budget Summary. The elements of this plan include:

- A commitment to enhance General Fund resources to higher education over each of the next four years. For the first year, a two percent increase is proposed; augmentations in subsequent years will result in an average of four percent. This amount will be in addition to funds provided for state debt service.
- Enrollment growth averaging about one percent annually, to increase student access.
- Increased portability of courses, such as joint UC/CSU graduate programs, improved transferability of students from the Community Colleges to UC/CSU, and improved transferability of course credits among the segments.
- Continued increases in productivity and efficiency, in order to further access and quality within available resource levels.
- High priority within UC and CSU on improved graduation times thereby reducing costs to students and their families, and on maintaining fac-

ulty quality by restoring faculty salaries to competitive levels over four years, with an emphasis on merit-based salary increases.

- Annual funding for capital outlay of about \$150 million for each segment, with priority on seismic and life safety projects, infrastructure and educational technology.

Consistent with the above principles, the 1995-96 budgets for UC and CSU provide a two percent increase in funding, as the first increment of the Administration's commitment to provide an average of four percent increases over the subsequent three years. It is anticipated that the UC and CSU governing boards will act to raise student fees by at least 10 percent; the Administration pledges to support the boards' decisions regarding the fee levels they deem appropriate for students attending their institutions. Current fee levels at UC, and CSU in particular, are moderate in comparison to similar institutions. (It is expected that student fees at Hastings College of the Law will conform to those adopted by UC.) Increased funding has been provided to the Cal Grant program to cover the anticipated 10 percent fee increases; additional funding will be considered if the boards adopt larger increases.

For Community Colleges, the budget includes backfill of property tax shortfalls in the current year, growth funding to maintain access, increased financial aid, and a partial COLA in recognition of increasing faculty and operating costs. Regular enrollment fees for Community Colleges are proposed to be increased by \$2 per unit, for a total of \$15.

The 1995-96 Governor's Budget proposes a variety of infrastructure and construction projects to be financed from a total of \$350.8 million in Lease Revenue Bonds and the remaining balances of existing General Obligation Bond funds.

Despite recent increases in student fees, students still pay only a fraction of the cost of their education. The bulk of the cost of education is subsidized

by the State. For UC, the 1994-95 cost of education for a general campus student (using the methodology developed by the California Postsecondary Education Commission) is \$13,191; the state General Fund subsidizes 62 percent of this cost of education and a full-time student pays fees equivalent to 29 percent. For CSU, the average cost of education is \$8,723; the state General Fund subsidizes 73 percent of this cost and a full-time student pays fees equivalent to 18 percent. For the Community Colleges, the state General Fund and local tax subsidy is 91 percent of the \$3,323 cost of education; a full-time student pays fees equivalent to 12 percent. The student fee percentages reflect the costs borne by students who pay the full costs of the fees themselves; however, many students receive financial aid grants. To the extent that a student receives such aid, the share of the cost of instruction borne by the student is less than noted above.

Enrollments for 1995-96, as indicated in Table HIED-1, have not been determined by all the segments. Total funding levels are shown in Table HIED-2, though fee

revenue data are incomplete. It is expected that more detailed budget plans will be made available by the institutions in Spring 1995, after student fee levels have been determined.

UNIVERSITY OF CALIFORNIA

The policy of the 1995-96 budget is to begin strengthening the UC in terms of the plan outlined above.

General Fund Increase. The budget provides a General Fund increase of \$36.5 million, which is 2 percent over 1994-95, for general purpose expenditures. The specific uses of these funds have not yet been determined by UC.

In addition, the budget provides \$25.2 million for the increased cost of lease purchase payments resulting from revenue bonds. Funding has also been decreased by \$1.1 million for annuitant health and dental benefits, to be consistent with the costs for civil service annuitants.

TABLE HIED-1
HIGHER EDUCATION
FULL-TIME EQUIVALENT STUDENTS

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1995-96 vs. 1994-95
University of California	152,863	155,881	156,371	154,277	152,227	149,481 ^{2/}	150,000 ^{3/}	519
Undergraduate	(114,365)	(116,546)	(117,297)	(115,133)	(113,548)	(111,966)	(NA)	(N/A)
Graduate	(26,142)	(26,798)	(26,511)	(26,374)	(25,930)	(25,515)	(NA)	(N/A)
Health Sciences	(12,356)	(12,537)	(12,563)	(12,770)	(12,749)	(12,000)	(NA)	(N/A)
California State University ^{1/}	272,984	278,902	271,159	258,834	247,866	250,498 ^{2/}	250,498 ^{3/}	—
Undergraduate	(235,839)	(239,521)	(232,822)	(221,838)	(213,632)	(215,498)	(NA)	(N/A)
Graduate/Post-baccalaureate	(37,145)	(39,381)	(38,337)	(36,996)	(34,234)	(35,000)	(NA)	(N/A)
Community Colleges	817,245	841,075	860,219	873,363	858,897	868,277	873,817	5,540
Hastings	1,347	1,325	1,261	1,253	1,268	1,230	1,230	—
Total Students	1,244,439	1,277,183	1,289,010	1,287,727	1,260,258	1,269,486	1,275,545	6,059

^{1/} Includes California Maritime Academy, which becomes part of the CSU beginning July 1, 1995.

^{2/} Budgeted.

^{3/} Preliminary; may be adjusted pending development of budget plan.

TABLE HIED-2

**HIGHER EDUCATION EXPENDITURES
GENERAL FUND, LOTTERY FUNDS, STATE SCHOOL FUND,
LOCAL REVENUES AND STUDENT FEES**

(DOLLARS IN MILLIONS)

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 ^{4/}	<u>One-Year Change</u>	
								Amount	Percent
University of California ^{1/}	\$2,533.7	\$2,615.5	\$2,685.6	\$2,599.7	\$2,551.6	\$2,660.3	\$2,728.3	\$ 68.0	2.6%
California State University ^{1/2/}	1,996.9	2,050.1	2,051.7	2,016.9	1,975.8	2,185.2	2,168.4	-16.8 ^{5/}	-0.8% ^{5/}
Community Colleges	3,135.5	3,307.9	3,352.7	3,462.2	3,540.8	3,694.4	3,876.7	182.3	4.9%
Student Aid Commission	152.6	160.7	172.1	145.9	210.7	229.4	245.4	16.0	7.0%
Other Higher Education ^{3/}	<u>85.1</u>	<u>86.9</u>	<u>115.5</u>	<u>135.8</u>	<u>129.2</u>	<u>157.5</u>	<u>174.4</u>	<u>16.9</u>	<u>10.7%</u>
Total Funds	\$7,903.8	\$8,221.1	\$8,377.5	\$8,360.4	\$8,408.1	\$8,926.8	\$9,193.2	\$266.4	3.0%

^{1/} For purposes of this table, expenditures for the University of California and California State University have been adjusted to include offsetting, general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

^{2/} Includes the California Maritime Academy which becomes part of CSU, effective July 1, 1995.

^{3/} The Other Higher Education amount includes General Obligation Bond Interest and Redemptions and Interest on PMIA Loans for UC, CSU and HCL; California Postsecondary Education Commission and Hastings College of the Law.

^{4/} Does not reflect student fee increases for University of California and California State University, which have not yet been determined.

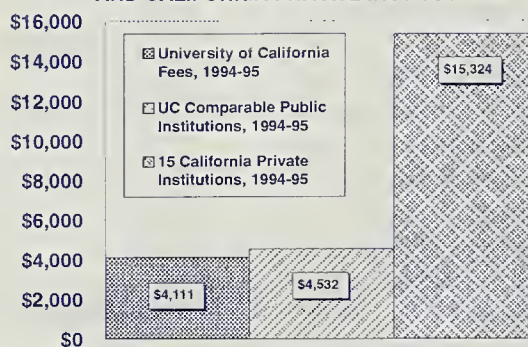
^{5/} CSU's expenditures for 1994-95 include \$41 million in General Fund and \$20 million Lottery Fund for one-time expenditure of funds carried over from prior years. Without these one-time expenditures in 1994-95, CSU's expenditures for 1995-96 would show a one-year increase of \$44.3 million or 2.1 percent.

Student Enrollment. UC experienced minimal enrollment declines in the early 1990s, but has still been able to maintain student access per the state's Master Plan. UC expects that it can continue to meet Master Plan enrollments over the next four years with annual increases averaging about one percent per year. Enrollments in 1995-96 are expected to increase by about 500 full-time equivalent students, to a total of 150,000 FTE.

Student Fees and Financial Aid. The Administration pledges to support general student fee increases and professional student differential fees which will be adopted by the Board of Regents, with the understanding that from the fee increase revenues, UC will provide sufficient financial aid to needy students. The current undergraduate fee level of \$4,111 compares favorably to the 1994-95 average of \$4,532 at four public institutions used for salary comparison purposes (see Figure HIED-A).

Capital Outlay. Included within the proposed budget is \$160.9 million from Lease Revenue Bonds and remaining balances of existing General Obligation Bond funds to support the need for construction,

**FIGURE HIED-A
UNIVERSITY OF CALIFORNIA
COMPARISON OF RESIDENT FEE
AND TUITION LEVELS AT COMPARABLE UNIVERSITIES
AND CALIFORNIA PRIVATE INSTITUTIONS**



renovation and expansion of classrooms, laboratories, libraries and equipment, as well as projects to update infrastructure on campuses.

CALIFORNIA STATE UNIVERSITY

The policy of the 1995-96 budget is to begin strengthening the CSU in terms of the plan outlined above.

General Fund Increase. The budget provides a General Fund increase of \$31.2 million, which is equivalent to 2 percent of the 1994-95 amount for general purpose expenditures. The specific uses of these funds have not yet been determined by CSU. It should be noted that actual General Fund expenditures will increase by only 0.2 percent over 1994-95; the reason is that the 1994-95 amount includes one-time expenditures of \$41 million resulting from funds which were carried over from prior years.

In addition, the Governor's Budget provides \$12.6 million for the increased cost of lease purchase payments resulting from revenue bonds, and \$0.3 million for the increased cost of annuitant dental benefits.

Student Enrollment. The enrollment declines of the early 1990s have ceased, and enrollment appears to have stabilized in the current year. The enrollment levels for 1995-96 have not yet been determined.

Student Fees and Financial Aid. The Administration pledges to support general student fee increases and graduate student differential fees which will be adopted by the Board of Trustees, with the understanding that from the fee increase revenues, CSU will provide sufficient financial aid to needy students. The additional fee income will not offset General Fund expenditures. CSU's cur-

rent fee level of \$1,853 compares very favorably with an average of \$2,899 at 15 public institutions used for salary comparisons (see Figure HIED-B).

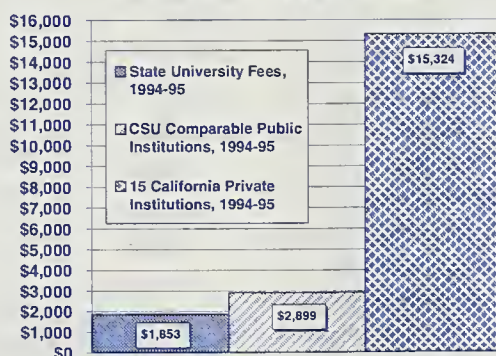
Capital Outlay. Included within the proposed budget is \$145.1 million from Lease Revenue Bonds and remaining balances of existing General Obligation Bond funds to support the need for construction, renovation and expansion of classrooms, laboratories, libraries and equipment as well as projects to update infrastructure on campuses.

CALIFORNIA COMMUNITY COLLEGES

The Proposition 98 guarantee is proposed to be fully funded in 1994-95 and 1995-96. Because recalculation of the 1994-95 guarantee requires additional appropriations for the current year, the Administration will propose legislation fulfilling this commitment. This will include \$53 million for the Community Colleges as addressed below.

California appears to be rebounding from the prolonged recession, providing the ability to increase available funding for the Community Colleges. With this increased level of funding comes the ability to continue to explore new teaching methods and operational improvements.

FIGURE HIED-B
CALIFORNIA STATE UNIVERSITY
COMPARISON OF RESIDENT FEE AND TUITION LEVELS
AT COMPARABLE PUBLIC AND
CALIFORNIA PRIVATE INSTITUTIONS



The budget supports enhanced access through growth funding and financial aid increases and partial COLA funding to recognize increased operational and faculty costs. Additionally, the budget proposes to backfill estimated shortfalls in current year property taxes and provide additional one-time funds for instructional equipment replacement through appropriations to be proposed in current year legislation. With these increases in general operating funds, resources are available to support in-

novative practices at individual district discretion. The budget also recognizes the constraints which the State must face as it enters the future. Therefore, the Governor's Budget proposes a modest student fee increase of \$2 and to continue the incremental reductions for the workload savings resulting from enrollment declines in students already holding bachelor's or graduate degrees.

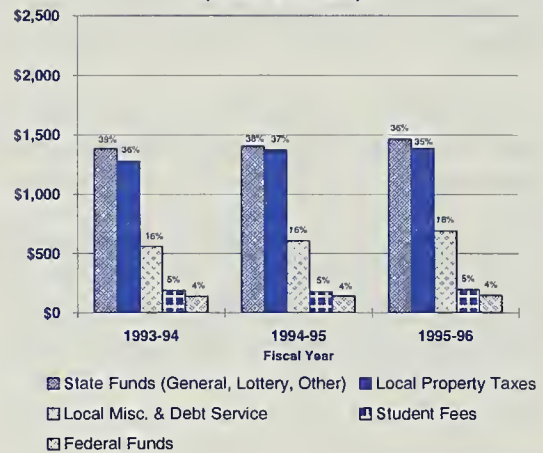
As Table HIED-3 shows, total funding for the California Community Colleges in 1995-96 is \$3.9 billion. Figure HIED-C shows the funding sources and their proportionate contribution to the colleges from 1993-94 through 1995-96.

Total funding for 1995-96 is \$182 million more than the amount provided in 1994-95 which represents a 4.9 percent increase. Total proposed funding per each full-time equivalent student (FTES) is \$4,436, a 4.3 percent increase from 1994-95.

Apportionments. The following adjustments are proposed for the general apportionment assistance program for 1995-96:

- ❑ \$47 million, through current year legislation, to backfill the estimated decline in current year property taxes.

**FIGURE HIED-C
REVENUE FOR COMMUNITY COLLEGES
SOURCE OF REVENUES
(Dollars in Millions)**



- ❑ \$24.7 million for growth in enrollments based on the expected change in adult population.
- ❑ \$55.2 million for a partial COLA of about 2.2 percent, consistent with the level of increase provided for K-12 apportionments.
- ❑ \$35.3 million for increased financial aid, plus an additional \$3.2 million for financial aid related administration. These increases recognize both the Chancellor's estimates of students applying suc-

TABLE HIED-3

**SIGNIFICANT REVENUE SOURCES FOR COMMUNITY COLLEGES
(DOLLARS IN MILLIONS)**

Source of Funds	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95 ¹	1995-96 ¹	Change from 1994-95	
								Dollars	Percent
State General Fund	\$1,631.5	\$1,792.7	\$1,799.5	\$1,641.6	\$1,279.2	\$1,301.1	\$1,364.3	\$63.2	4.9%
Lottery Fund	122.4	97.1	75.8	85.5	94.2	92.6	92.6	\$0.0	0.0%
Local Property Taxes	715.7	791.1	831.3	1,010.3	1,278.5	1,369.0	1,382.4	\$13.4	1.0%
Student Fees	67.2	72.0	82.3	122.6	186.9	178.4	196.1 ^{2/}	\$17.6	9.9%
Other State Funds	14.1	6.5	5.2	6.5	5.5	6.9	6.5	\$-0.4	-6.3%
Federal Funds	119.8	126.4	120.0	118.5	136.3	140.4	144.6	\$4.2	3.0%
Local Miscellaneous	455.5	415.5	433.6	472.2	555.9	603.1	687.3	\$84.3	14.0%
Local Debt Service	9.3	6.7	5.0	5.0	4.2	2.8	2.8	\$0.0	0.0%
Total Revenue	\$3,135.5	\$3,307.9	\$3,352.7	\$3,462.2	\$3,540.8	\$3,694.4	\$3,876.7	\$182.3	4.9%

¹Estimated. 1994-95 General Fund includes proposed \$53M from CY proposed legislation.

²Includes proposed fee increase.

cessfully for fee waivers under the current \$13 per unit fee, and the likelihood that a higher proportion of students will successfully apply in response to the proposed fee increase discussed below.

- ❑ \$10.4 million to restore the one-time PERS retirement system savings estimated to occur in the current year.
- ❑ \$15.2 million in savings from workload declines related to bachelor's degree holders. This adjustment is based on the Chancellor's reported 41 percent decline in enrollments of students with prior bachelor's or graduate degrees in the fall term of 1992 resulting from implementation of the \$50 differential fee. Current law (Chapter 703, Statutes of 1992), protects the districts from reductions in funding for one-year then allows for reductions to be made in one-third increments over a three-year period. Accordingly, the budget proposes to recognize the second one-third increment of this decline in 1995-96.
- ❑ \$19.5 million in savings from a proposed \$2 increase in fees for regular students. This is consistent with the Board of Governors' desire for a fee policy which calls for modest, predictable increases. California's fees will still be the lowest in the nation. Figure HIED-D compares California's

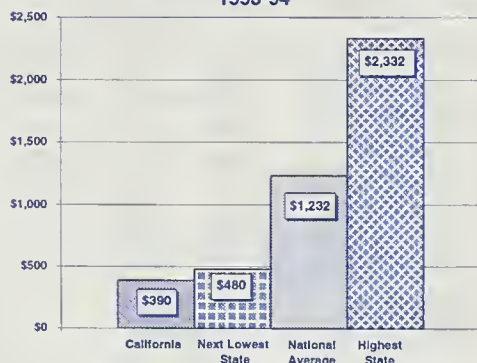
annual enrollment fees to the annual average fees nationwide for 1993-94.

Categorical Programs and Other Changes.

For 1995-96, the Governor's Budget also proposes the following increases:

- ❑ \$6.0 million, through current year legislation, to address high priority instructional equipment and library material replacement, on a one-time basis.
- ❑ \$2.1 million for expansion of the Community Colleges Economic Development Program. Coupled with a \$3.1 million Federal grant available in the current year to expand new initiatives and existing activities to those areas impacted by Federal military base closures over two years, this augmentation will allow for expansion of these workforce training and business assistance programs to other areas as well, consistent with the provisions of Chapter 805, Statutes of 1994. Chapter 805 authorized development of innovative workforce solutions to advanced transportation technologies, biotechnologies and expanded competitive technologies.
- ❑ \$370,000 for expansion of the Puente Program. This successful intersegmental program focuses on increasing the transfer rates of underrepresented students to the four-year segments. The augmentation will allow expansion of the program from 31 to 45 campuses.
- ❑ \$4.9 million to reflect increased lease-revenue bond payments necessary for PublicWorks Board-financed capital improvements.

FIGURE HIED-D
RESIDENT TUITION AND REQUIRED FEES
COMMUNITY COLLEGES
(AVERAGE ANNUAL FEES)
1993-94



Source: Washington State Higher Education Coordinating Board

Capital Outlay. Included within the proposed budget is \$44.8 million from Lease Revenue Bonds to support the need to equip projects currently under construction.

STUDENT FINANCIAL AID

California's Master Plan for Higher Education is based on three principles: (1) high quality educational programs, (2) open access for all who meet specified entrance criteria, and (3) affordability. Until recently,

the State had sufficient resources to pursue the goal of affordability through a policy of charging low fees to all students. The severe fiscal constraints of the early 1990s, however, prevented the continuation of "business as usual".

As a result of these constraints, the State faced a difficult policy choice: either (1) severely cut back access or compromise quality, in order to continue a policy of providing deep subsidies to all, irrespective of ability to pay, or (2) require those who could afford to pay higher fees to do so, while providing additional financial aid for those who could not, in order to maintain quality and preserve open access. The Administration chose the latter course, recasting affordability in terms of ability to pay. By allowing student fees to increase, the state was able to provide for more faculty, students and financial aid than would otherwise have been possible.

Specifically, the Administration has maintained its commitment to keep higher education affordable by providing significant increases in student financial aid

(See Table HIED-4). Since 1990-91, the funding of financial aid from new fee revenue has increased by \$153 million, and from the General Fund has increased by \$205 million; the combined total has more than doubled, increasing from \$282 million to \$639 million.

The budget of the Student Aid Commission was increased substantially to maintain fee coverage of UC and CSU fee increases in the Cal Grant program. For 1994-95, \$25.9 million was added to cover the 10 percent student fee increases at UC and CSU as well as to reflect the increased continuation rates of prior year grant recipients. For 1995-96, \$3 million is added to maintain current grant amounts for the changing mix of students, and \$1.4 million in General Fund is provided to replace reduced federal funds and thereby maintain total program funding. In addition, since it is anticipated that UC and CSU will raise student fees by at least 10 percent, \$11.5 million is added to cover the related Cal Grant costs; if the fee increases are greater, additional funds will be considered in the Spring.

It should be emphasized that students also receive financial aid from federal, private and other sources in the form of grants, work-study and loans. Altogether, students in California's public and private higher education institutions received about \$3.4 billion in financial aid in 1993-94, an increase of \$1 billion (42%) in just the three years since 1990-91. The total amount is expected to increase by several hundred million dollars in 1994-95 and again in 1995-96.

TABLE HIED-4
FINANCIAL AID GRANTS:
GENERAL FUND AND FEE REVENUE FUNDED
(DOLLARS IN THOUSANDS)

Institution/Fund Source	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 ^{1/}
University of California	<u>\$80,335</u>	<u>\$105,297</u>	<u>\$124,036</u>	<u>\$168,735</u>	<u>\$175,651</u>	<u>\$177,241</u>
General Fund	47,253	56,460	53,834	65,423	53,739	53,739
Fee Revenues	33,082	48,837	70,202	103,312	121,912	123,502
California State University	<u>32,117</u>	<u>46,493</u>	<u>84,989</u>	<u>94,591</u>	<u>109,812</u>	<u>109,812</u>
General Fund	32,117	46,493	47,896	48,227	47,680	47,680
Fee Revenues	—	—	37,093	46,364	62,132	62,132
California Community Colleges						
General Fund	12,021	16,849	28,291	51,540	74,799	110,127
Student Aid Commission						
General Fund	<u>157,032</u>	<u>168,975</u>	<u>142,831</u>	<u>207,600</u>	<u>226,215</u>	<u>242,097</u>
Total	<u>\$281,505</u>	<u>\$337,614</u>	<u>\$380,147</u>	<u>\$522,466</u>	<u>\$586,477</u>	<u>\$639,277</u>
General Fund	248,423	288,777	272,852	372,790	402,433	453,643
Fee Revenues	33,082	48,837	107,295	149,676	184,044	185,634

^{1/} For 1995-96, fee and financial aid levels have not been determined for the University of California or California State University.

Health and Welfare

The 1995-96 Governor's Budget for Health and Welfare confirms the agenda of personal responsibility, prevention and cost containment established during the first term of this Administration. The fiscal circumstances facing California necessitate major structural changes and program reductions. Nevertheless, the budget proposes new initiatives which invest in programs that emphasize prevention and promote access to essential health services to vulnerable populations.

1995-96 HEALTH AND WELFARE EXPENDITURE LEVELS

Proposed 1995-96 Health and Welfare expenditures total \$42.5 billion in combined State and federal funds, including funding for 40,638 personnel years. This funding total includes \$3.1 billion in Health and Welfare program costs for State-Local Realignment.

The allocation of these funds among the various programs is shown in Figure HW-A. The caseload totals underlying much of the expenditure level are shown in Table HW-1.

DEPARTMENT OF SOCIAL SERVICES

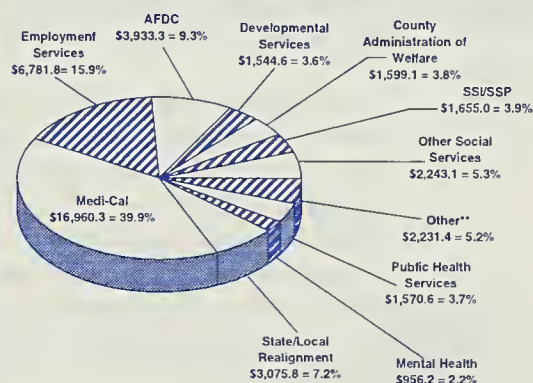
TRENDS IN AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) EXPENDITURES

AFDC can be separated into two groups based on federal definitions of deprivation. AFDC-Family Group (FG) cases are single-parent families, while AFDC-Unemployed (U) cases are two-parent families. Both types of families must meet income and asset eligibility requirements to receive public assistance. In the absence of policy changes in fiscal year 1995-96, the AFDC caseload is projected to grow by 4.7 percent, reflecting rates of growth of 4.4 percent in FG cases and 6.2 percent in U cases. This growth comes after a period of unprecedented growth in the AFDC caseload for both groups lasting from fiscal years 1989-90 to 1993-94 which peaked at 11.8 percent during the 1991-92 fiscal year.

AFDC-Family Group (AFDC-FG). Within AFDC, FG cases constitute approximately 82 percent of the total cases. Research on nationwide AFDC data indicates that approximately 75 percent of FG cases go on aid because of changes in family structure, such as a divorce or a birth to an unmarried parent, while only about 15 percent go on aid as a direct result of a reduction in income. Similarly, 46 percent of cases nationally leave aid because of changes in family structure, and 26 percent leave aid because of increased income. Therefore, while changes in the State's economy may affect the overall level of the need for assistance and influence the size of the FG caseload in the short term, long term trends in the FG caseload will continue to be determined more by demographic or social factors.

During the decade of the 1980s, California's AFDC caseload grew by 39 percent, a rate that exceeded the State's population growth of 23 percent. From fiscal years 1990-91 through 1995-96, the AFDC

FIGURE HW-A
HEALTH AND WELFARE PROPOSED 1995-96
EXPENDITURES*
ALL FUNDS
(Dollars in Millions)



* Includes support and local assistance.

** Reflects allocations for the Health and Welfare Agency, Departments of Aging, Alcohol and Drug Programs, Health and Welfare Data Center, Office of Statewide Health Planning and Development, Rehabilitation, Emergency Medical Services Authority, Governor's Advisory Committee on Child Care, State Council and Area Boards on Developmental Disabilities, California Medical Assistance Commission, State support for the Departments of Health Services and Social Services. Also included are the costs associated with Health and Welfare mandates and debt service.

TABLE HW-1

MAJOR HEALTH AND WELFARE PROGRAM CASELOADS

	1994-95 Revised	1995-96	Change
1. California Children's Services ^{a/} (treatment of physical handicaps)	136,680	144,610	7,930
2. Medi-Cal Certified Eligible (provision of medical services to eligible poor)	5,506,400	5,754,100	247,700
3. AFDC (support for deprived families with minor children)	2,772,354	2,870,131	97,777
4. SSI/SSP (support for aged, blind and disabled)	1,023,739	1,015,558	-8,181
5. In-Home Supportive Services	184,155	195,237	11,172
6. Child Welfare Services ^{b/}	147,428	152,604	5,176
7. Foster Care	69,828	71,969	2,141
8. Non Assistance Food Stamps ^{c/}	454,312	473,221	18,909
9. State Hospitals			
a. Mental Health clients ^{d/}	3,910	4,122	212
b. Developmentally disabled clients ^{e/}	5,265	4,765	-500
10. Community Developmentally Disabled Services			
a. Regional Centers ^{d/}	118,390	129,530	11,140
b. Work activity program ^{d/}	19,874	20,548	674
11. Vocational Rehabilitation ^{f/}	45,569	46,937	1,368
12. Alcohol Programs ^{g/}	318,582	334,511	15,929
13. Drug Programs ^{g/}	201,705	211,790	10,085
14. Employment Services (placements)	270,000	280,000	10,000
15. Unemployment Services (total weeks claimed)	25,909,000	25,150,400	-758,600

^{a/} This figure represents unduplicated quarterly caseload in the CCS Program, but does not reflect the impact of conforming residency requirements to Medi-Cal.

^{b/} Represents Emergency Response, Family Maintenance, Family Reunification and Permanent Placement service areas on a monthly basis. Due to transfers between each service area a case may be reflected in more than one service area.

^{c/} Represents an average monthly unduplicated caseload as reported in the client data system.

^{d/} Represents the average, annual caseload.

^{e/} Represents the year-end population upon which the Budget is based.

^{f/} Represents the number of new plans written each year.

^{g/} Number of participants served during the fiscal year.

caseload is projected to grow by an additional 40 percent, with the AFDC-FG caseload estimated to increase by 32.2 percent. As a result of AFDC caseload growth outpacing population growth, the State is also experiencing an increase in the dependency rate, the proportion of women of childbearing age who are on AFDC (see Figure HW-B).

In 1988, California's dependency rate exceeded the national average by 25 percent. Since that time, the average annual growth in the AFDC-FG caseload has accelerated, reaching a year-over-year high point of

12 percent in October 1991. As the growth rate in the number of women of childbearing age has subsequently declined while AFDC-FG caseload has continued to grow, the dependency rate has increased. Between July 1988 and June 1994, California's dependency rate grew by more than one-third from 7.4 percent to 10.2 percent. Similarly, the proportion of children (age 17 or younger) on AFDC has also grown during that period from 15.2 percent to 20.5 percent (See Figure HW-C). Some of the factors that have significant influences on the size and composition of the AFDC caseload are:

□ Increases in the number of women of childbearing age (age 15 to 44). During the 1980s, the number of women of childbearing age grew by 18 percent. During the first half of the 1990s, the number of women of childbearing age is projected to grow by 4 percent.

□ Increases in the birthrate. During the 1980s, the proportion of women having children increased by 20 percent. During the 1990s, the birthrate has decreased by 7 percent.

□ Increases in the rate of births to unmarried women. During the 1980s, the rate of births to unmarried women increased by 52 percent. During the 1990s, the rate of births to unmarried women has increased by 12 percent.

Births to unmarried women now account for over 30 percent of all live births, compared to less than 10 percent during the 1960s.

□ Increases in the number of teenage parents. During the decade of the 1980s, the number of births to teenagers increased by 7 percent, while teenage births as a proportion of total births (for teenagers under 18) decreased by 14 percent. During the 1990s, the birthrate for teenagers has increased by 8 percent. In addition, the proportion

FIGURE HW-B
AFDC FG CASES
PER 10,000 WOMEN AGED 15-44 YEARS

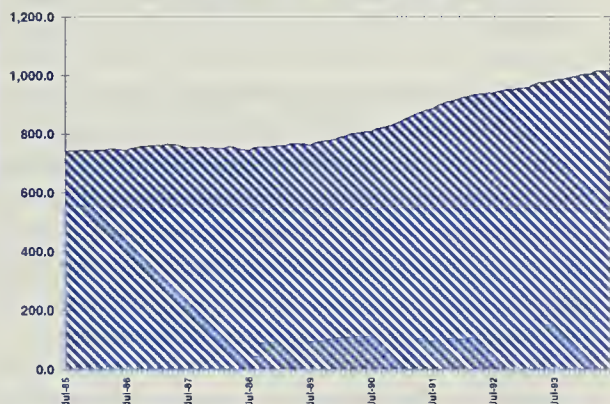


FIGURE HW-C
AFDC FG&U
CHILDREN PER 1,000 PERSONS AGED 0-17 YEARS

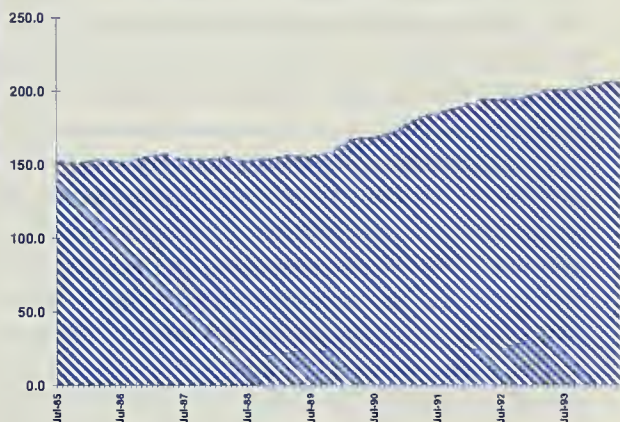
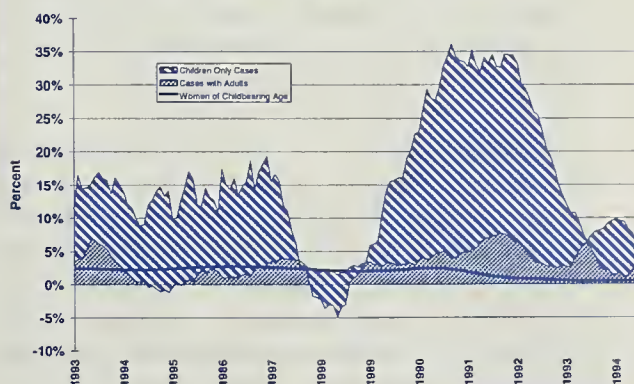


FIGURE HW-D
AFDC-FG ANNUAL GROWTH RATE BY MONTH



of teenage births to unmarried teenagers has increased from 44 percent during the 1960s to 73 percent currently. Overall, approximately 54 percent of women currently receiving AFDC grants had their first child as a teenager.

- Increases in the unemployment rate. Economic cycles have a direct effect on the size of the AFDC-U caseload. For example, after the recession of the early 1980s the AFDC-U caseload remained relatively stable at between approximately 70,000 and 80,000 cases per year, reaching a low point of 70,278 cases in fiscal year 1988-89. The recession which followed, along with changing patterns of immigration, caused this caseload to climb significantly during the next few years. By 1993-94, the AFDC-U caseload reached 155,722, an increase of 122 percent over 1988-89. For 1995-96, the AFDC-U caseload is projected to be 178,601 cases, an increase of 154 percent from the 1988-89 level.

While these factors are important in determining the composition of the total AFDC population, they do not completely explain the majority of new cases on AFDC in recent years. To further explain new cases on AFDC, the caseload was divided into cases with aided adults and cases in which the caretaker adult is not eligible for aid, i.e. "children only" cases. Children only cases occur when the caretaker adult is a recipient of SSI/SSP, is a non-parent relative of the child, or most often when the parent is ineligible for aid based on immigration status.

Figure HW-D displays the annual growth rate by month for the AFDC-FG caseload and for women of childbearing age from January 1983 through June 1994. As the Figure indicates, the growth in cases with aided adults corresponds closely to the growth in the number of women of childbearing age. In contrast, children only cases begin to grow at a rate exceeding 10 percent annually in the 1983-84 fiscal year. They decline suddenly in 1987 when it is believed that parents removed their children from aid based on misinformation about the Immigration Reform and Control Act (IRCA). Two years later, the growth rate of children only cases again accelerated, reaching a high of over 32 percent in September of 1990.

The Department of Social Services also conducted an analysis of children only cases and concluded that cases where the caretaker adult is a recipient of SSI/SSP or a non-parent relative constitute a relatively constant proportion of between 10 and 11 percent of the FG caseload. This is consistent with the figure of 10.8 percent reported nationally. Consequently, it appears that the majority of growth in children only cases is due to growth in the number of cases where the parent(s) is excluded because of immigration status.

Because of significantly different growth patterns, AFDC-FG cases with adults and children only cases are projected separately. (Note: in this discussion caseload is referred to in terms of natural growth; that is, without policy changes.) For example, in 1992-93, FG cases grew by an overall rate of 5.1 percent, including a growth rate of 3.6 percent for cases with an aided adult, and 9.9 percent for children only cases. In 1993-94, however, this trend was eclipsed by the fact that IRCA legalized persons, who were ineligible for AFDC for five years, had passed the period of ineligibility. Thus, in previous children only cases where the parent(s) received amnesty under IRCA, the parents have now been added to the assistance unit, making these cases with aided adults.

While this trend does not expand the size of the total caseload, it causes cases to be reclassified from children only to adult aided and increases the number of persons receiving aid. This phenomenon produces mixed results in the 1994-95 caseload, with an increase in the growth of children only cases again becoming visible in 1995-96. In 1994-95, while the overall FG caseload is projected to increase by 4.6 percent, the number of FG persons aided will increase by an estimated 4.5 percent. FG cases with aided adults will increase by 4.5 percent, while children only cases will increase by 5 percent, holding constant at 22.3 percent of the AFDC caseload compared to 1993-94.

In 1995-96, FG cases are projected to grow by 4.4 percent over 1994-95, while the number of FG persons is estimated to grow by 4.1 percent. Cases with aided adults will grow by an estimated 3.6 percent,

and children only cases are projected to grow by 7.2 percent, averaging 22.9 percent of the FG caseload.

AFDC-Unemployed (AFDC-U). AFDC-U cases constitute approximately 18 percent of total AFDC cases. In general, the size of the AFDC-U caseload is determined by the health of the State's economy. The number of two-parent families receiving aid tends to grow sharply during recessionary times and declines during times of falling unemployment. However, other factors such as immigration influence this caseload as well. Therefore, the Department of Social Services replaced its economic model for projecting this caseload with a time series model similar to the one used to estimate the AFDC-FG caseload.

The pattern of growth of children only cases in the AFDC-U program is similar to that in the FG program. In 1992-93, children only cases in the AFDC-U program comprised 24.6 percent of the caseload, and grew by 33.4 percent over the prior year, compared to growth of 12.4 percent in cases with aided adults, and 16.9 percent for the AFDC-U caseload overall. In 1994-95, children only cases are projected to drop to 21.5 percent of the U caseload. This reflects a growth projection of 8.3 percent for cases with an aided adult and 7.1 percent for children only cases. The U caseload overall is estimated to increase by 8.0 percent. The number of persons served by the AFDC-U program is similarly expected to grow by 8 percent. In 1995-96, the AFDC-U caseload is projected to grow by 6.2 percent and the number of persons served by 5.7 percent over 1994-95. Children only cases are expected to comprise 22.1 percent of the caseload and will grow by an estimated 9.1 percent, compared to a growth rate of 5.4 percent for cases with an aided adult.

The Department of Social Services believes that the consistent increase in children only cases (except for the statistical artifact resulting from the expiration of the IRCA exclusion) is the result of the growth in cases where one or both of the parents are undocumented immigrants who are ineligible for aid, but their citizen children are eligible. The growth in this population appears to be one of the most sig-

nificant factors expanding the AFDC caseload in recent years. These findings are consistent with Department of Social Services projections that the number of citizen children cases will increase from 11 percent to 13 percent of total caseload in 1994-95 to support 237,465 children at a General Fund cost of \$258.7 million. In 1995-96, the citizen children caseload is projected to grow to 14 percent of the total caseload to support 255,881 children at a General Fund cost of \$278.5 million.

PROGRAM CHANGES

Welfare Reform. In federal fiscal year 1993, California had only 12 percent of the nation's population, but accounted for 17 percent of the national AFDC caseload and 26 percent of national AFDC expenditures. The 1995-96 Governor's Budget builds on reforms initiated during previous budgets, and reflects the continuing priority of modifying expenditures in the AFDC program to further promote personal responsibility, make work pay, and control unaffordable program growth. The Governor's Budget assumes implementation of the AFDC proposals effective September 1, 1995. It also assumes that the necessary legislation to implement these proposals will be enacted by July 1, 1995. The key elements of these proposals include:

Grant Reduction. California currently has the fourth highest AFDC grant among the 50 states and the highest grant among the ten most populous states. This proposal would reduce AFDC cash grants by 10 percent, reflecting the 2.3 percent grant reduction enacted as part of the Budget Act of 1994, assumed to be effective March 1, 1995 with approval of California's amended waiver, and an additional 7.7 percent reduction effective September 1, 1995. The 10 percent reduction would change the cash grant level for a family of three from \$607 per month to \$547 per month. Given corresponding increases in Food Stamps, the net impact to a family would be a reduction of 4.1 percent. In addition, the amount that a family can earn before its grant is reduced will increase from \$311 to \$400 per month for a family of three without child care expenses. A family with child care expenses for two children can earn \$925 before the grant is reduced. California's payment level

would be the 8th highest among the 50 states after these reductions and 2nd among the ten most populous states. General Fund grant savings in 1995-96 would be \$166.7 million from the 7.7 percent reduction and \$52.8 million for the 2.3 percent reduction, for a total savings of \$219.5 million.

Transitional/Basic AFDC Grant. A two-tier grant structure would be established. A transitional grant for a maximum of six months, at the grant level described above, would be available to assist families requiring immediate support. Effective March 1, 1996, those families with an able-bodied adult (defined as those who are not receiving SSI/SSP) continuing on aid beyond six months would shift to a basic grant, which would be 15 percent below the transitional grant. This would establish a maximum aid payment of \$465 per month, ranking 12th among the 50 states and 2nd among the ten largest states. Given corresponding increases in Food Stamps, the net impact to a family of three would be a reduction of 7.8 percent. In addition, the amount that a family can earn before its grant is reduced will increase from \$311 to \$525 per month for a family of three without child care expenses. For a family with child care expenses for two children, allowable earnings would increase from \$836 to \$1,050 per month. This structure reinforces the premise that AFDC is a temporary assistance program and encourages recipients to transition to the workforce. Increased support in preparing for employment will also be provided (see below). General Fund grant savings in 1995-96 are estimated to be \$100 million.

Teen Pregnancy Disincentive. One of the subgroups at greatest risk for long-term welfare dependency is young, never-married women who enter the AFDC program when their child is less than 3 years old. For example, using national data, it has been estimated that over 40 percent of never-married women who enter the AFDC program at age 25 or less with a child less than 3 years old will spend 10 years or more on AFDC. As indicated above, approximately 54 percent of the women currently receiving AFDC had their first child as a teenager. Further, among teenage births, the proportion of

births to unmarried teens in California increased from 44 percent to 73 percent between 1966 and 1990.

National data indicate that adolescent mothers who were unmarried at the time of the birth of their first child were much more likely to receive welfare than those teenage mothers who were married when they gave birth. Approximately 48 percent of unmarried teen mothers received welfare after the birth of their first child, compared to about 7 percent of those who were married when they gave birth. Also, the living arrangement of adolescent mothers is directly related to their being on AFDC. Those unmarried mothers living at home or with relatives tend to benefit from the household income and may, in some cases, contribute to the family's income themselves. Unmarried teen mothers living alone are less able to support themselves and their children, and, consequently, are more likely to be on AFDC.

As a result, more states have begun to require teen mothers to live with their parents in order to receive AFDC. This is a state option under federal law, and prevents adolescents from entering the AFDC program as a means of emancipating from their parents. In 1990, only one state and two territories required teen mothers to live at home in order to receive AFDC. Since then, an additional seven states and one territory have adopted this policy including, most recently, Michigan, Wisconsin, Georgia, and Maryland.

The Welfare Reform proposal includes a requirement that adolescent mothers live with their parents as a condition of receiving AFDC, unless their parents' home is unavailable to them or is abusive. This proposal is designed to retard the growth of teen pregnancies, and also to create a family structure which better enables the teen mother to support and raise the child when teen pregnancies occur. In 1995-96, this proposal is estimated to save \$2.4 million in grants by discouraging teens from having children in order to enter the AFDC program. However, this savings is projected to be offset by an equal expenditure in Child Welfare Services to investigate allegations of abuse by the teenager's parents.

Time-Limited Aid. The intent that AFDC for a family with able-bodied adults, should be a transitional means of support while recipients are seeking self-sufficiency is not being realized. At least 60 percent of the adult AFDC caseload has been on aid longer than two years. Further, it is estimated that 65 percent of cases include at least one able-bodied adult receiving aid. Aid for adults in these cases will cost the State more than \$250 million in 1995-96. Under this proposal, the State would establish a two-year limitation on the receipt of aid by able-bodied adults. After 24 cumulative months on aid, families with at least one able-bodied adult will receive a grant reduction equivalent to the amount of aid received by the able-bodied adult(s) in the case. These adults would continue to be eligible for Medi-Cal and Food Stamps. This proposal would be effective July 1, 1997 for cases that have been on aid two years or longer at that time. When fully implemented, this proposal will save \$325.6 million General Fund annually.

PROGRAM INITIATIVES

Focus on Fathers. While the primary focus of California's Child Support Enforcement program has been on the enforcement of financial obligations, little emphasis has been placed on the importance of an emotional and physical presence of fathers in the development of children. While payment of child support should be made virtually inescapable, the involvement of fathers in their children's lives in other ways should be encouraged and supported. To underscore the importance of fathers in the lives of children, the Department of Social Services will conduct a campaign to highlight the rights and responsibilities of being a father. This campaign will be conducted within existing resources and will be coordinated with local community-based efforts and the Department's child support public awareness effort.

Employment Assistance--GAIN. The Budget Act of 1993 provided a General Fund augmentation of \$40.9 million to expand participation in the Greater Avenues for Independence (GAIN) program. Counties are not required to provide matching funds if they continue to provide GAIN services at the 1992-93 level. The Budget Act of 1994 provided an addi-

tional General Fund augmentation of \$1.4 million, which, along with anticipated efficiencies, will allow GAIN to serve all non-exempt AFDC recipients before they have reached their two-year eligibility limitation.

The Department of Social Services is continuing to work with counties to make the GAIN program more work oriented. Accordingly, the Department provided a fiscal incentive starting July 1, 1994 to any county that voluntarily commits to achieving improved GAIN performance (measured by terminations from AFDC for GAIN participants and administrative efficiencies), or to sustaining an existing level of superior performance while serving more people. The goal of this incentive is to make GAIN cost-effective. The Department has established a qualifying standard for county incentive payments. Improving counties will receive 50 percent of the State share of savings realized in AFDC. Counties operating above the established standard will receive an amount equal to 25 percent of the county share of GAIN expenditures. To date, 28 counties, including Los Angeles, Orange, Contra Costa, San Francisco and San Diego have begun to participate in this project.

In addition, the Department of Social Services proposes to reform the GAIN program pursuant to the recommendations of the Governor's GAIN Advisory Council to improve the program's effectiveness in helping people transition from welfare to work. The Advisory Council's report, issued in September 1994, recommended 27 changes to the GAIN program in four major areas:

- ☐ Modifications to current criteria to reduce exemptions and deferrals, including those instances where recipients have employment but do not earn at least the minimum wage.
- ☐ Modifications to the current conciliation process which allows an extensive number of conciliations for recipients who do not participate appropriately in GAIN. Recipients who do not cooperate with GAIN requirements would enter into the conciliation process once before being subject to sanctions. In addition, subject to federal waiver,

other program benefits, such as Food Stamps, would not increase when sanctions are imposed.

- ☐ Strengthening the program's employment orientation by focusing job club and job search activities as the initial steps in the GAIN program. Further, even those recipients in education programs would be required to participate concurrently in training or work activities.
- ☐ Expansion of job club and job search activities within available funding for AFDC applicants and for non-custodial parents. This requirement would not apply to disabled adults, child only cases, immediate assistance, and homeless assistance cases.

Unused GAIN funds from 1993-94 (approximately \$20 million General Fund) and 1994-95 will be made available for these and other program objectives pursuant to current Budget Act language. The Department believes that early participation in job club and job search activities make it more likely that the recipient will find employment at the earliest possible time.

To further employment opportunities, it is anticipated that the increased availability of federal funds for child care, pursuant to Chapter 1205, Statutes of 1991 (AB 2184), will expand the amount of child care available to AFDC recipients. The increased levels of employment resulting from the expansion of GAIN are expected to result in General Fund savings of \$5.5 million from reduced grants in 1995-96.

WELFARE PROGRAM INTEGRITY

While the incidence of welfare fraud and the magnitude of other forms of overpayment are not precisely known, it is generally agreed that the problem is substantially larger than official quality control figures suggest. Fraud and misuse waste limited tax dollars and undermine support for programs that are needed to assist the truly needy in California.

During the Fall of 1993, the Department of Social Services convened a strategic planning group consisting of county welfare directors, chief county fraud

investigators, and representatives from the Departments of Health Services and Social Services to identify the factors that weaken the integrity of welfare programs. The goal of this group was to assist the Department in developing a comprehensive five-year plan for restoring integrity to welfare programs in California. Many of these concepts are proposed for implementation in 1995-96. Altogether, activities designed to combat fraud are estimated to save \$72 million in 1995-96. The major themes included in anti-fraud activities include prevention, improving the tools and technology to detect fraud, increasing accountability, program reform and managerial efficiency.

AFIRM. One of the innovations in this area has been the use of an automated fingerprint imaging system to detect and prevent duplicate aid cases. This system was first used three years ago by Los Angeles County in its General Relief program. In April 1994 the county and the Department of Social Services began using this system in the AFDC program. The Automated Fingerprint Image Reporting and Match (AFIRM) system was implemented in all district offices by August, 1994. Data available since that time indicate that AFIRM will result in net General Fund savings of \$13.3 million in 1994-95 and \$16.7 million in 1995-96. Based on the success of AFIRM in Los Angeles County the Department of Social Services intends to implement this system statewide once necessary State and federal approvals are obtained. The Department will work cooperatively with county welfare directors to implement this innovation statewide.

Homeless Assistance. The Homeless Assistance program has been found to have a high incidence of fraud and abuse. Current eligibility for Homeless Assistance is limited to once every two years. Still, approximately 35 percent of Homeless Assistance recipients are found to be "repeaters" who reapply shortly after the expiration of the two-year limit. This program provides temporary shelter payments averaging \$329 and permanent housing assistance averaging \$682 in addition to regular AFDC checks and Food Stamps. To control abuse in this program, the Budget proposes that eligibility for Homeless Assistance be limited to once in a lifetime with cer-

tain limited exceptions. This proposal would save \$13.5 million, (of a \$38.6 million program), in assistance payments and administrative costs in 1995-96.

ADMINISTRATIVE EFFICIENCY

Improved County Administration. As part of a broader State-Local initiative, the Department will work towards giving counties the necessary flexibility to achieve welfare program objectives. This proposal is based on the belief that the State should participate in the formulation of policy and overall program objectives, but not attempt to supervise the daily activities of counties. This will encourage counties to focus on results rather than on process and the minute details required for program reporting. The Department of Social Services will be working with counties to further define areas where fiscal incentives or increased areas of flexibility would further the goals of reducing fraud and promoting self-sufficiency.

The Department believes that counties will respond to this framework for administration by reevaluating the efficiency and effectiveness of their activities in many areas. As a result, the Department expects several changes to occur which will reduce costs. Examples include a reduction in error rates, increased activities to prevent, detect, and prosecute fraud, a renewed emphasis on the transition from welfare to work, including job creation activities and greater efforts to make GAIN a high-priority, work oriented program, and improved coordination with the District Attorney for child support collections. The Budget contains \$20 million, with no county share of cost, to assist counties in initiating efforts to improve county administration. Based on these incentives, coupled with an increased county share of cost in AFDC grant expenditures, the Budget estimates that improved county administration will result in AFDC grant savings to counties of \$70 million in 1995-96. Net State AFDC grant savings are estimated to be \$50 million.

These savings estimates include the grant savings from the Homeless Assistance reform proposal described above. In addition to the once-in-a-lifetime limitation, AFDC payments would be restricted for

recipients who mismanage their grants. Restricted payments may include direct payments to landlords, payment to a community services agency acting as a financial manager, or the use of vouchers as appropriate. Restricted payments would be used, for example, in cases where an AFDC recipient does not use the grant to pay rent, is evicted, and becomes a recipient of Homeless Assistance. The Budget includes \$3.4 million for social worker investigations to determine if restrictive payments are necessary, as well as ongoing case management such as money management instruction. The social worker would determine if there is a threat to the health and safety of children as a result of the mismanagement of funds.

Statewide Automated Welfare System (SAWS). SAWS will automate welfare eligibility processes and administrative functions for the AFDC, Food Stamps, Medi-Cal, Foster Care, Refugee, and County Medical Services programs. The system will automate both initial and continuing eligibility determination, benefit calculation, and case management, and will provide management and program information at both the State and county levels. The 1995-96 Budget proposes to continue planning activities for statewide implementation.

Since the initiation of the SAWS project in January 1994, implementation planning activities have been initiated in 12 counties. Seven counties have successfully converted to SAWS to process new cases and are converting existing cases as well. Thus far, approximately 12,000 new and continuing cases have been converted to SAWS. The remaining seven SAWS counties will begin using SAWS between January and August 1995. Case conversion is scheduled to be completed in the last SAWS county, Kern County, in March 1996.

The Governor's Budget proposes to complete the implementation of SAWS in 14 counties, representing approximately 9.7 percent of the AFDC caseload. Early implementation of SAWS is demonstrating the capacity of the system and is providing a field test of the assumptions used to estimate costs, savings and schedules which will provide valuable information to be used for statewide SAWS implementation. Ex-

penditures of \$24 million, including reappropriations, are proposed for 1995-96.

SSI/SSP

CASELOAD TRENDS

The Supplemental Security Income/State Supplementary Payment (SSI/SSP) program provides cash grant assistance to eligible aged, blind and disabled persons who meet the program's income and resource requirements. This program is administered by the federal Social Security Administration, which determines eligibility, computes grants, and disburses the combined monthly payment to recipients. California supplements the federal SSI payment with an additional SSP payment. The combined SSI/SSP grant is intended to cover the recipient's basic needs and living expenses.

In 1995-96, the Governor's Budget proposes \$1.6 billion General Fund for the SSI/SSP program, which will provide assistance to approximately 1,015,600 persons. Although it is commonly thought that the SSI/SSP program primarily assists the low-income elderly, almost two-thirds of the SSI/SSP caseload consists of disabled persons. The remainder of the SSI/SSP caseload is made up of the aged (32 percent) and the blind (2 percent of caseload). Caseload in this program (before policy adjustments) has increased by 58.9 percent since 1985-86 while California's population has increased by 19.6 percent over the same period. Growth in the disabled population is the primary factor in the caseload increase over the last ten years. Disabled caseload has increased by 81.2 percent, while the aged caseload increased by 29.2 percent and the blind caseload by 18.6 percent. This trend is expected to continue in 1995-96. Projected growth in disabled caseload of 6.6 percent is partially offset by a 2.4 percent growth in the aged caseload and a 1.6 percent growth in the blind caseload for an overall estimated caseload increase of 5.1 percent in 1995-96.

Table HW-2 provides a comparison of current SSI/SSP payment standards and the AFDC maximum aid payment for California and the nine other most populous states. As this table shows, California's pay-

ment standards are the highest among this group. Nationally, California has the third highest SSI/SSP payment standard among the fifty states, after Alaska and Connecticut.

TABLE HW-2

**COMPARISON OF PAYMENT STANDARDS FOR THE
TEN MOST POPULOUS STATES**
SSI/SSP AS OF JANUARY 1994, AFDC AS OF MAY 1994

States ^{1/}	SSI/SSP Payment Standards <u>Independent Living Arrangement</u>				AFDC Maximum Aid Payment Family of Three
	<u>Aged and Disabled</u>		<u>Blind</u>		
	Individuals	Couples	Individuals	Couples	
California ^{2/}	\$603	\$1,109	\$670	\$1,297	\$607
New York	532	771	532	771	577
Texas ^{3/}	446	669	446	669	184
Florida ^{3/}	446	669	446	669	303
Pennsylvania	478	718	478	718	403
Illinois ^{4/}	446	669	446	669	367
Ohio ^{3/}	446	669	446	669	341
Michigan	460	690	460	690	459
New Jersey	477	694	477	694	424
North Carolina ^{3/}	446	669	446	669	272

^{1/} In descending order by state population, 1990 census.

^{2/} Payment Standard reflects a 9/93 2.7% reduction to the total 6/93 SSI/SSP standard. More current data on the other states not yet available.

^{3/} These states do not supplement SSI for an independent living arrangement but provide other supplements.

^{4/} Does not have a standard SSP allowance. Payments are based upon individual needs and circumstances.

PROGRAM CHANGES

In federal fiscal year 1993, although California had only 12 percent of the nation's population, this State accounted for 17 percent of all SSI/SSP recipients, 21 percent of SSI/SSP expenditures and 57 percent of all SSP expenditures nationally. The continuing growth in this entitlement program necessitates the following program modifications.

Elimination of Drug Addiction or Alcoholism as Criteria for SSI/SSP Eligibility. When Congress created the SSI/SSP program in 1974, the Senate initially sought to exclude those with substance

addictions by putting them in a separate program. Members of Congress believed that these individuals would need more than the cash payments that would be provided; that they would need treatment, case management, and close monitoring so that they would not use their SSI benefits to "feed their addiction." Unfortunately, with practically no monitoring by the Social Security Administration during the ensuing twenty years, these fears have been realized.

In addition, since SSI/SSP payments provide a source of cash, the program has continued to attract those with substance addictions while the incidence of substance addiction has climbed nationally. A 1991 Inspector General's report indicated that there were approximately 20,000 individuals nationally diagnosed as drug addicts or alcoholics who were receiving SSI benefits. The report indicated that over half of this caseload lived in either California or Illinois. Today, California's caseload of drug addicts and alcoholics is 31,000, and the number has increased by between 2,000 and 8,000 annually. California can no longer afford to spend funds which all too frequently are used to support addictions. Therefore, the Department of Social Services will propose federal legislation to eliminate drug addiction or alcoholism as criteria for SSI/SSP eligibility. It is assumed that necessary State and federal legislation will be enacted by October 1, 1995. General Fund savings in 1995-96 are estimated to be \$24.8 million in grants and \$26.5 million in Medi-Cal expenditures.

Grant Reductions. As indicated above, California provides the third-highest SSP payments nationally, and the highest among the ten largest states. In addition, California is the only state whose grant for couples exceeds 1.5 times the grant for individuals. Currently, the SSI payment level for couples is 1.5 times the grant for individuals. In California, however, the SSP grant for couples is 2.7 times the individual grant, resulting in a combined SSI/SSP grant for couples which is 1.8 times the grant for individuals.

California can no longer afford grant levels of this size. The Governor's Budget, therefore, proposes a reduction in SSI/SSP grants of 8 percent for individuals and 10 percent for couples, exempting

those in Non-Medical Out of Home Care living arrangements. In addition, anyone whose grant is eliminated because of other income will retain Medi-Cal eligibility at no cost to the individual. It is assumed that federal legislation eliminating the current maintenance of effort requirement would be enacted by October 1, 1995.

The reductions would be applied to the combined grant with the savings made to the SSP portion. This would reduce the SSP grant for aged or disabled individuals from \$156 per month to \$107. Monthly SSP grants for couples would be reduced from \$415 to \$305. After adding the SSI cost-of-living adjustments in January 1995 and January 1996, the combined SSI/SSP grant would be \$580 for individuals, a reduction of 3.7 percent from the December 1994 level of \$602. Similarly, the January 1996 combined grant for aged or disabled couples would be \$1,014, a reduction of 6.4 percent from the December 1994 grant level of \$1,084 per month.

After these reductions, California's SSP grant for individuals would be the fourth highest among the 50 states and would remain the highest among the ten most populous states. The SSP grant for couples would be the third highest among the 50 states and the highest among the 10 most populous states. In addition, California's grant for couples would be approximately 1.7 times the individual grant, remaining the only state to pay a grant which exceeds 1.5 times the individual grant. These reductions are projected to save \$433.6 million in grants in 1995-96. This will be offset by a cost of \$8.9 million in the Medi-Cal program to pay the share of cost for those with other income whose grant is eliminated by the reduction.

Elimination of the SSP Administrative Fee. Unlike AFDC, Food Stamps and Medi-Cal, the federal government not only establishes eligibility standards for SSI, it administers the program. In 1993-94, the federal government began charging states a fee for administration of the Supplemental Security Income's (SSI) State Supplementary Program (SSP). This fee will cost the General Fund \$38 million in 1994-95 and is scheduled to increase to \$61.2 million in 1995-96.

California and other states believe this fee is inequitable. Based on a long-standing arrangement with the states, the federal government credits all of a recipient's countable income against the SSI (federal) portion of the grant. Only in cases where the SSI portion becomes zero and there is remaining countable income, does the income reduce the SSP (General Fund) portion of the grant. As a result, about 20 percent of the SSI/SSP caseload receives only an SSP grant. In exchange for these federal savings, the federal government agreed to support the full cost of program administration. In addition, while the federal government charges states for errors made in the AFDC, Food Stamps, and other programs, it does not reimburse states for errors it makes in SSI/SSP eligibility determination and grant calculations. Therefore, California and other states believe they will be successful in convincing the federal government to accept its responsibility to support SSI/SSP administration. General Fund savings in 1995-96 are estimated to be \$50 million based on an October 1, 1995 implementation date.

CHILDRENS PROGRAMS

Childrens Services. The Governor's Budget proposes to realign the existing state share-of-cost in the Child Welfare, Foster Care and Adoptions Assistance programs, along with a percentage of the State sales tax to cover these costs. Counties will enjoy greater flexibility and decision-making authority in the budgeting and use of these funds. For a detailed description of this proposal, please refer to the Section on the State-Local Relationship.

Juvenile Crime Prevention Initiative. The Budget contains \$10 million to continue the Juvenile Crime Prevention Initiative. This project will support 12 pilot programs, called Family Resource Centers, to provide services intended to assist in the prevention of juvenile crime. The components of this pilot program include:

- ❑ Families and Schools Together--a highly structured eight week drug and alcohol abuse prevention program for at-risk children and families including two years of follow-up activities.

- ❑ Mothers and Sons Program--a program targeting single mothers and their sons aged 10 to 14 who have had school suspensions or been involved in gangs, bullying, or minor vandalism. The focus of the program is on family responsibility and community involvement, and would include family preservation services, classroom and group training, and family support networks.
- ❑ First Offenders and Family Preservation--a program to provide intensive family counseling and social work services for a three-to-four month period, with follow-up and supportive services for an additional six months.
- ❑ After School Program--a program to provide recreational and educational services for youths and to provide them with an opportunity to perform community service, as well as providing respite time to parents. The program operates in partnership with existing community programs.

DEPARTMENT OF HEALTH SERVICES

TRENDS IN MEDI-CAL EXPENDITURES

Medi-Cal, California's version of the federal Medicaid program, is an open-ended entitlement program; any person who meets the eligibility criteria established by law is entitled to specifically defined health benefits. Except for a limited number of "state-only" services, Medi-Cal typically receives half of its funding through federal Social Security Act Title XIX appropriations, with the balance largely, but not exclusively, furnished by the State's General Fund. Federal reimbursement of 50 percent represents the lowest of federal Medicaid sharing ratios and is common to twelve other states, including New York, Illinois, Massachusetts and New Jersey.

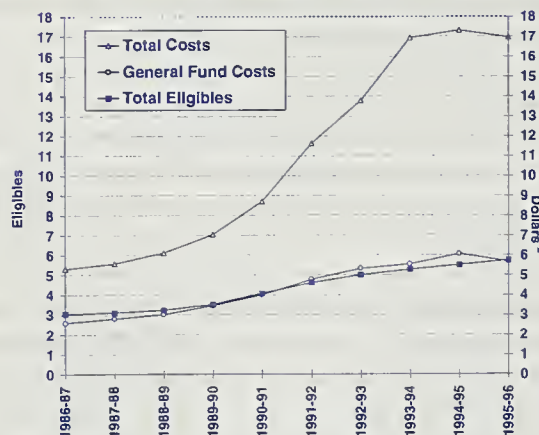
Expenditures. Since major federal Medicaid expansions commenced in 1986, annual Medi-Cal spending will have increased 135 percent through 1994-95, as illustrated in Figures HW-E and HW-F. In 1994-95, total expenditures for Medi-Cal local assistance are estimated to be \$17,313.1 million (\$6,047.5 million General Fund), representing an increased \$132.2 million General Fund cost in com-

parison with the 1994 Budget Act appropriation. Had the federal government fully funded the cost of mandated Medi-Cal services for undocumented immigrants and refugees and repealed coverage requirements for sponsored aliens as the Budget Act of 1994 had anticipated, the current year General Fund budget for Medi-Cal would have had a savings of \$207.4 million.

For 1995-96, Medi-Cal local assistance spending is projected to total \$16,960.3 million (\$5,697.7 million General Fund). This General Fund amount reflects a \$392.9 million reduction in anticipation of the full federal funding which California will continue to demand for the Medi-Cal costs of undocumented immigrants and refugees as well as repeal of coverage for sponsored aliens.

Comparisons of spending since 1991-92 which use total funding can be misleading because of donated funds and intergovernmental transfers used for supplemental payments to hospitals which serve a

FIGURE HW-E
GROWTH OF MEDI-CAL CASELOAD AND COSTS,
1986-87 THROUGH 1995-96
(Eligibles in Millions; Dollars in Billions)



a/ Local assistance funds. Excludes \$2,199 million (\$777 million, General Fund) one-time addition for accrual accounting in 1991-92.

NOTE: 1994-95 and 1995-96 data are estimated. Total cost includes the effect of SB 855 intergovernmental transfers and county administrative claiming Federal recoveries.

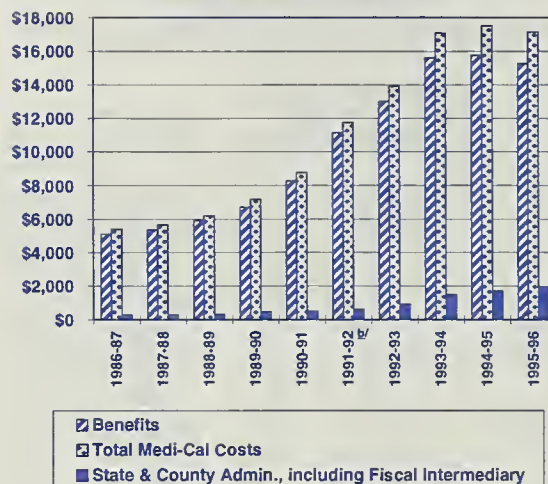
disproportionate share of Medi-Cal or other low-income patients. For 1995-96, these transfers are budgeted at approximately \$1.1 billion, matched by a like amount from the federal government, for a total of \$2.2 billion in supplemental hospital funding. Similarly, Medi-Cal Administrative Claiming by the counties, currently under review by the federal Health Care Financing Administration, commenced in 1993-94 and is projected to total \$850 million in federal funds for 1995-96.

Some programs such as the Administrative Claiming discussed above, the Personal Care Option that is allied with In-Home Supportive Services, and local mental health programs - draw federal Title XIX monies through the Medi-Cal program, but their non-federal matching share appears in local budgets or in the budgets of other state agencies. This type of off-budget, non-federal Medi-Cal matching will exceed \$1.7 billion in 1995-96, and is not included in the program totals shown earlier.

Caseload. In 1986-87, approximately one out of every nine Californians had established eligibility to receive Medi-Cal services; currently, one out of every six residents is expected to secure Medi-Cal eligibility. This trend is illustrated in Figure HW-G. In 1994-95, average monthly Medi-Cal eligibility is expected to be 5.51 million persons and in 1995-96, over 5.75 million, a 4.5 percent increase. While still growing, Medi-Cal caseload has slowed to a rate of growth of 4.19 percent for 1994-95 versus a rate of 5.65 percent that had been forecast last May. Table HW-3 shows federal Health Care Financing Administration (HCFA) eligibility and expenditure data from federal fiscal year 1993 for the ten most populous states. According to federal officials, other states also have experienced dramatic growth in Medicaid spending and caseloads since 1990. Table HW-4 illustrates the distribution of Medi-Cal caseload among the various eligibility groups since 1991-92, and Table HW-5 shows the general eligibility thresholds for Medicaid as employed by the ten most populous states.

Benefits. Medi-Cal recipients are entitled to a full range of health services. The federal government requires states participating in Medicaid to provide

FIGURE HW-F
GROWTH OF MEDI-CAL COSTS
1986-87 THROUGH 1995-96
(Dollars in Millions; Total Funds ^{a/})



a/ Includes total amounts projected for 1994-95 and 1995-96. Includes the effect of SB 855 Intergovernmental transfers beginning in 1991-92 and county administrative claiming federal recoveries in 1992-93.

b/ In 1991-92 a one-time adjustment of \$2,199 million was made in moving Medi-Cal to accrual accounting. This additional appropriation is not shown here.

FIGURE HW-G

AVERAGE MONTHLY MEDI-CAL ELIGIBLES AS A PERCENTAGE OF CALIFORNIA'S POPULATION

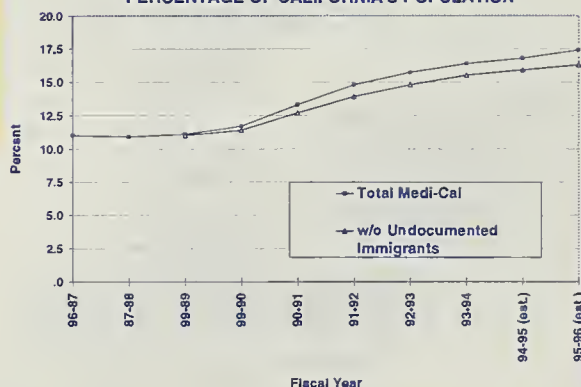


TABLE HW-3

**MEDICAID PROVIDER PAYMENTS AND
NUMBER OF RECIPIENTS
FOR THE 10 MOST POPULOUS STATES, JULY 1993**

	Medicaid Provider Payments (Dollars in Millions)		Medicaid Recipients (Data in Thousands)	
	Medicaid Payments FFY 1993*	Percent of U.S. Total	Number of Recipients FFY 1993*	Percent of Jurisdictions July 1993 Population
National Total	\$101,708.9	100.0	33,432	13.0
California	9,649.5	9.5	4,834	15.5
New York	17,557.1	17.3	2,742	15.1
Texas	5,574.6	5.5	2,308	12.8
Florida	4,131.3	4.1	1,745	12.8
Pennsylvania	3,886.2	3.8	1,223	10.2
Illinois	4,625.2	4.5	1,396	11.9
Ohio	4,666.7	4.6	1,491	13.4
Michigan	3,077.1	3.0	1,172	12.4
New Jersey	3,485.1	3.4	794	10.1
North Carolina	2,452.0	2.4	898	12.9

*Source: Health Care Financing Administration, October 1994;
excludes state-only payments and eligibles

TABLE HW-5

**MEDI-CAL ELIGIBILITY LEVELS FOR A FAMILY
OF THREE IN THE 10 MOST POPULOUS STATES
JULY 1994**

	AFDC Eligibility Level	Percent of Poverty	Medicaid MN Eligibility Level	Percent of Poverty
California	\$7,284	59.1	\$11,208	91.0
New York	6,924	56.2	9,408	76.4
Texas	2,256	18.3	3,300	26.8
Florida	3,636	29.5	3,636	29.5
Pennsylvania	5,052	41.0	5,604	45.5
Illinois	4,524	36.7	5,904	47.9
Ohio	4,092	33.2	—	—
Michigan	6,612	53.7	6,804	55.2
New Jersey	5,316	43.1	7,092	57.6
North Carolina	6,528	53.0	4,404	35.7
10 State Average	\$5,222	42.4	\$6,373*	51.7

Source: National Governor's Association, 1994; *Excluding Ohio

a core of basic services which include: physician, nurse practitioner and nurse-midwife services; hospital inpatient and outpatient services; specified nursing home care; laboratory and X-ray services; home health care; and early and periodic screening, diagnosis and treatment services for children to age 21.

In addition, the federal government provides matching funds for 34 optional services (e.g., out-patient drugs, adult dental, optometry, hospice, chiropractic, and occupational therapy). While all states provide some optional services, 36, including California, provide those services to both medically needy and categorically eligible Medicaid recipients. The Medi-Cal program now provides 29 of these optional services, which according to the HCFA, is surpassed only by Illinois, Indiana (medically needy recipients only), Minnesota and Wisconsin; a year ago, seven states surpassed California in providing these services. California's current optional benefits total in comparison with the ten most populous states is shown in Table HW-6. As discussed below, nine optional services are proposed for elimination in 1995-96.

TABLE HW-4

**MEDI-CAL CASELOAD COMPOSITION
(AVERAGE MONTHLY ELIGIBLES)**

	1991-92	1992-93	1993-94	1994-95	1995-96
Public Assistance	3,548,900	3,743,100	3,942,200	4,108,000	4,292,400
Long Term Care	66,800	69,100	70,600	71,600	73,500
Medically Needy	386,500	467,900	528,900	540,000	549,400
Medically Indigent	197,800	226,700	252,500	277,600	300,900
Refugee/OBRA/IRCA	322,500	365,200	338,400	316,800	311,500
All Other	<u>93,700</u>	<u>124,100</u>	<u>152,300</u>	<u>192,400</u>	<u>226,400</u>
Totals	4,616,200	4,996,100	5,284,900	5,506,400	5,754,100

Medical costs vary considerably among the various categories of persons eligible for Medi-Cal. For example, a member of a family linked to Medi-Cal by way of their AFDC status is estimated to incur benefit costs of \$1,073 in all of 1995-96, whereas a disabled person in long-term care will incur costs exceeding \$4,200 each month. These differences in costs are illustrated in Figure HW-H.

Managed Care. In California, the traditional provision of Medi-Cal services has been through a fee-for-service system of health care delivery. Under this predominant system, qualified providers are paid for specific services as they are rendered. As an alternative to the fee-for-service program, the Department of Health Services also administers capitated, managed health care delivery systems. Since 1993, the statutory "default" has been changed from fee-for-service to managed care in those instances when a Medi-Cal beneficiary does not have an established primary care provider relationship and a managed care option is available in his or her community. Under its strategic plan, Expanding Medi-Cal Managed Care, the Department of Health Services envisions increasing managed care enrollment from the roughly 990,000 forecast for 1994-95 to about 2.5 million beneficiaries in 1995-96.

Managed care has an appeal to California government both as a purchaser of health care and as the guardian of the public's health. As a purchaser of publicly funded personal health care services, managed care offers an opportunity to achieve high value for dollars expended by: assuring that expenditures result in measurable and rational access to health care for Medi-Cal beneficiaries; improving health status and outcomes through preventive care, education, health maintenance, early detection and treatment; and taking economic advantage of caseload volume, administrative efficiencies and other economies of scale. From a public health perspective, managed care offers an opportunity to assure quality of care by enabling: assured access to primary and preventative care and early intervention services; direct integration of health education and wellness into the care delivery process; oversight of the scope, level and duration of care; and formal review of the quality and appropriateness of care provided.

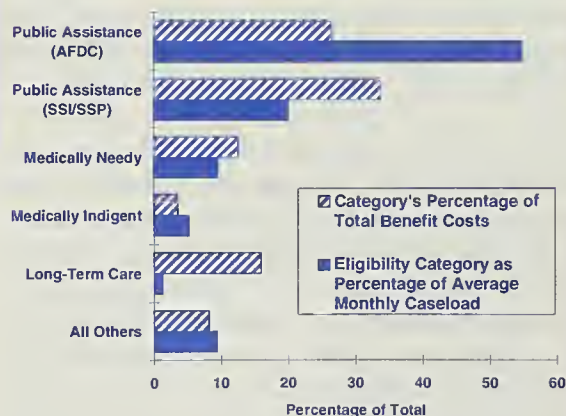
TABLE HW-6

NUMBER OF OPTIONAL BENEFITS
PROVIDED BY
THE 10 MOST POPULOUS STATES

	Cash Grant Recipients	Medically Needy Recipients
California	29	28
New York	26	26
Texas	22	22
Florida	22	19
Pennsylvania	21	12
Illinois	30	30
Ohio	25	—
Michigan	27	27
New Jersey	28	20
North Carolina	21	20

Source: Health Care Financing
Administration, December 1994

FIGURE HW-H
MEDI-CAL COST BY ELIGIBILITY CATEGORY
1995-96



The capitated health care delivery systems currently include about 40 sites for Prepaid Health Plans (PHPs) and 30 sites for Primary Care Case Management Systems (PCCMs). Managed care plans serving particular groups of clients include: the Senior Care Action Network in Long Beach (SCAN), On Lok Senior Health Services and the Family Mosaic Project in San Francisco, and the Program for All-Inclusive Care for the Elderly (PACE) in Oakland and Sacramento. County-Organized Health Systems currently operate in Santa Barbara, San Mateo and Solano counties. In addition, Sacramento County is the site of the first Geographic Managed Care pilot project, covering both medical and dental services.

The Administration's continuing initiative to make managed care the system of preference in California includes two new County-Organized Health Systems, now in the developmental stage -- Orange and Santa Cruz. The Santa Cruz system is scheduled to begin services in July, and Orange County's system is expected to begin service in August 1995. A second Geographic Managed Care project, in San Diego County, is planned for operation in January 1996. As with the San Mateo, Solano and Sacramento programs, these three additional plan contracts are being negotiated by the California Medical Assistance Commission on behalf of the Medi-Cal Program.

In 12 counties -- Alameda, Contra Costa, Fresno, Kern, Los Angeles, Riverside, San Bernardino, San Francisco, San Joaquin, Santa Clara, Stanislaus and Tulare -- managed care expansion will be achieved through implementation of the Department's two-plan model. Under this model, one managed care plan in each county will be a locally-developed comprehensive managed care system (the "Local Initiative") and the other will be a non-governmentally operated "Mainstream Plan", such as a commercial prepaid health plan. Initially, enrollment in this system will be required for those in Medi-Cal who are AFDC-linked, AFDC-linked medically needy with no share of cost, and medically indigent children; Medi-Cal recipients in other aid categories will be permitted to enroll voluntarily. (See the Department of Mental Health section for a discussion of Mental

Health Managed Care related to Medi-Cal beneficiaries.)

The Administration's Medi-Cal managed care initiative is a system change intended to balance the three competing priorities of cost, access and quality. It will not produce savings in the short term, but is a system that will help the State control costs in the future while promoting access to health care for Californians in need of Medi-Cal services.

This represents a fundamental change in the delivery of medical services in the Medi-Cal program. This change in service delivery requires a significant increase in workload and should not be expected to result in state operations savings for the Department of Health Services in the near term. The Department now will face the challenge of operating two distinct Medicaid systems, one fee-for-service and the other managed care. Either of these systems would rank among the largest Medicaid systems in the nation. To ensure the timely and effective implementation and management of this important change, the budget proposes a necessary staffing increase commensurate with the workload associated with this change and development of a managed care management information system. This staffing increase is central to the Department's ability to meet managed care's objective of improved access for beneficiaries and to assure long-term cost containment in the Medi-Cal program.

At the same time, a review of fee-for-service treatment authorization request workload is underway to assure that those production standards continue to be met. As implementation of the managed care initiative progresses, the Department also will review its fee-for-service workload in the areas of recoveries and claims processing during 1995-96 and 1996-97. These workload analyses should give the Administration and the Legislature information on the proper balance of staffing needed to operate the dual Medi-Cal delivery systems.

PROGRAM CHANGES

It is critical that cost containment be pursued while, at the same time, promoting access to essential services for priority populations and maintaining basic health services for populations already being served.

Medi-Cal Optional Benefits. California can no longer afford to provide the full array of Medi-Cal optional benefits. The Governor's Budget assumes \$142.6 million net General Fund savings in 1995-96 from the elimination of certain optional benefits. Benefits proposed for elimination are adult dental, psychology, chiropractic, podiatry, independent rehabilitation centers, acupuncture, medical supplies, speech and audiology services and non-emergency medical transportation. These services will continue to be provided for children under age 21, persons in long-term care and persons with developmental disabilities. Remaining Medi-Cal services are proposed to be subject to federally allowable copayments resulting in a nine-month General Fund savings of \$20.1 million.

During 1994-95 Budget negotiations, the Legislature and the Governor, in an effort to preserve adult dental services for Medi-Cal beneficiaries by making structural cost-saving changes in the means of service delivery, approved statutory provisions in 1994 that would have led to implementation of dental managed care for Medi-Cal statewide by October 1995. Prompting this historic agreement was federal court action which, commencing in late 1992, had led to sharp rate increases and other, procedural changes for fee-for-service dental providers. Medi-Cal was ordered to pay at a rate equivalent to 80 percent of the amount billed for fifty-five specified dental procedures -- ostensibly to improve access to dental care for Medi-Cal beneficiaries by attracting more providers. Yet, the Department of Health Services reported that the 600 percent court-ordered increase in dental spending per Medi-Cal user since 1991 had only increased the number of users by about 12 percent, by any objective measure a poor value for such a taxpayer investment.

Now that same court has halted the dental managed care effort and the savings that would have been

generated by it. If California cannot provide its optional adult dental services within a reasonable cost-saving framework, the state must simply forgo its participation in this federal Medicaid option. The court mandates attached to this service have outpaced the value of the federal funding.

Utilization management. Greater use of sub-acute services for Medi-Cal patients is proposed and is estimated to result in General Fund savings of \$30 million. Similarly, increased use of home health care as an alternative to higher cost treatment settings is proposed for a General Fund savings of \$10 million. Expansion of intensive case management for high-cost cases is budgeted to save the General Fund \$7.8 million. A portion of the savings for home health care and case management will be offset by higher support costs associated with those activities.

Limitations on Rate Increases. The California Medical Assistance Commission will be requested to negotiate 1995-96 Medi-Cal hospital contract rate increases in an amount not to exceed a total of \$44 million (\$22 million General Fund).

Long-Term Care Changes. With long term care Medi-Cal patients comprising 1.3 percent of the Medi-Cal caseload but representing nearly 16 percent of Medi-Cal costs, the prudent purchase of long-term care services continues to be especially necessary. Long-term care-related General Fund savings proposals include: a separation of Medicare-driven rates from actual Medi-Cal costs (\$11.6 million), cost based subacute rates (\$8.3 million), an elimination of premium reimbursements to encourage enhanced nursing care (\$20.2 million), and a reduction in high cost distinct part nursing facility rates (\$25.7 million).

PROGRAM INITIATIVES

Notwithstanding the severe fiscal constraints facing the State, the 1995-96 Governor's Budget proposes increased expenditures in a variety of program areas designed to build upon the prevention agenda initiated by this Administration. These initiatives reflect the Administration's recognition that difficult fiscal times compel difficult choices and that

our first choice must be to invest in preventative services for vulnerable populations, namely, low-income, uninsured children and pregnant women.

Access for Infants and Mothers (AIM). Begun in 1991 and administered by the Managed Risk Medical Insurance Board, the AIM program provides subsidized health coverage for uninsured pregnant women and their infants through the age of 2. To be eligible for AIM, a woman must be pregnant, be a legal California resident, have a family income between 200 and 250 percent of the federal poverty level, not be receiving Medi-Cal benefits, and have no other insurance coverage for her pregnancy. AIM subscribers are charged 2 percent of their annual gross family income to participate in the program. The AIM program, in conjunction with other state efforts, has made important strides in meeting the needs of uninsured pregnant women. The percentage of California women having unsponsored births has declined from over 7 percent in 1989 to 3 percent in 1993. However, the need for medical care to this population continues, and an emphasis on expanding access to prenatal care and delivery care remains a high priority for the State.

The budget proposes to expand the reach of the AIM program toward the goal of universal access to prenatal, delivery and newborn care for uninsured pregnant women and infants from low-income working families. Key components of this proposal include:

- ❑ Expansion of the population served to include low-income pregnant women with incomes between 200 percent and 300 percent of the federal poverty level.
- ❑ Modifications to the existing AIM program to promote linkage to and conformity with the proposed children's health program to provide young children currently served through AIM with access to primary and preventive services through their first five years of life.

- ❑ Maintenance of the concept of a family contribution in medical care premium costs and a modest increase in that payment level.
- ❑ Continuation of the annual \$68.6 million transfer from the Cigarette and Tobacco Products Surtax Fund is included as a funding base for AIM, to be supplemented with a General Fund appropriation of \$14.3 million. In addition, this proposal entails pursuit of statutory changes to obtain \$80.9 million in federal financial participation for the AIM program.
- ❑ Urgency legislation will be proposed to discontinue General Fund support for the Medi-Cal benefit which provides prenatal care for illegal immigrants and to transfer funding for this AIM expansion. Illegal immigrants, however, will continue to receive emergency and obstetric services as required by federal law.

PUBLIC HEALTH

CALIFORNIA REACHING EARLY ACCESS FOR CHILDREN'S HEALTH (REACH)

Recent estimates indicate that approximately 1.6 million children in California under the age of 18 are uninsured. Of this group, it is estimated that 600,000 are between the ages of birth and five years. California currently offers a range of medical services to young children through a variety of health care programs. However, for many young, low-income children who are not eligible for Medi-Cal, access to medical care following the birth through their first five years of life is often limited. Recognizing the imperative to invest early in the health of our children, the Governor's Budget proposes a new children's health care program, called California REACH, which integrates the components of existing strategies and offers expanded access to a package of primary, preventive and outpatient services to young, low-income, uninsured children.

The goals of the California REACH program are to promote universal access to primary care for young low-income children, to move towards an integrated system of care for young children as outlined in the

Administration's 1992 report, "Delivering the Future," and to propel California's efforts to meet the State's year 2000 objectives for Maternal and Child Health. Key components of the California Reach program include:

- ❑ Delivery of primary and outpatient services, including physician and clinic services, prescription drugs, and other necessary ambulatory care.
- ❑ Development of systems and strategies which build upon the State's successes in the Child Health and Disability Prevention and Medi-Cal Managed Care programs and incorporate traditional providers.
- ❑ Integration of health care programs for children in families with incomes up to 200 percent of the federal poverty level.
- ❑ Linkage with the State's strategies to expand the Immunization program to assure appropriate program integration and to promote maximum appropriate receipt of federal funds for immunization services.

To ensure that young, low-income, legal resident children have reliable access to the basic medical care necessary for healthy growth and development, the budget includes \$56.1 million General Fund to expand access to this care for children following birth through age five in families with incomes at or below 200 percent of the federal poverty level. These funds will be combined with funds already provided for the Child Health and Disability Prevention program for services to children of this age group and statutory changes will be proposed to permit receipt of federal funds for this program. Under this proposal, approximately 600,000 legal resident children would be eligible to receive a limited package of primary, preventive and necessary outpatient services.

TEEN PREGNANCY PREVENTION

During the past four years, the Administration has pursued an aggressive strategy to combat teen pregnancy. The State developed and implemented the

nationally recognized Education Now and Babies Later (ENABL) program, which has reached more than 250,000 12-14 year olds with the message of delaying sexual activity and focusing on school. For other youth, the State implemented the Expanded Teen Counseling and Information and Education program which has reached more than 350,000 teens statewide.

Despite these efforts, the complex problem of teen pregnancy continues at a considerable human and fiscal cost. By 1992, the number of Medi-Cal funded births to mothers under age 20 had increased to 37,039, an increase of 46 percent in four years. Approximately 53 percent of the teens having Medi-Cal funded births receive AFDC benefits, further adding to the staggering public medical and social costs of teen pregnancy in California.

To build upon the Administration's current teen pregnancy prevention efforts, the Governor's Budget includes a \$12 million General Fund augmentation to support the development of additional prevention strategies and to expand upon successful existing strategies. The Department of Health Services will use these new resources to lead an effort in consultation with the Department of Social Services and interested constituency groups to accelerate the State's ongoing efforts. These funds will be targeted to:

- ❑ Promote and expand effective teen pregnancy prevention programs and strategies,
- ❑ Broaden the focus of teen pregnancy prevention efforts beyond teen mothers to the role of fathers, and
- ❑ Ensure that teen pregnancy prevention strategies are coordinated with and complement California's existing and proposed welfare reform efforts.

REINVESTMENT IN IMMUNIZATION OF CHILDREN

The Omnibus Budget Reconciliation Act (OBRA) of 1993 authorized a new program to promote vaccination of children by providing no-cost vaccines to health care providers for all Medicaid-eligible children, children without health insurance or whose

insurance does not cover immunizations and for Native American children.

The 1994 Budget Act anticipated that this federal vaccine program would begin in October 1994. Unfortunately, storage and distribution problems have delayed implementation of the federal program. The \$20 million in savings which was committed to immunization activities in 1994-95 is needed instead for ongoing vaccine costs in the CHDP and Medi-Cal programs.

The Governor's Budget assumes that the free vaccine distribution system will be implemented by July 1995. In 1995-96, this federal Vaccines for Children program will save California \$30.5 million General Fund. The Governor's Budget proposes to reinvest \$20 million of the savings to enhance the current delivery system for immunizations. Components include increasing cost reimbursements for providers under the CHDP and Medi-Cal programs, developing vaccination tracking systems, expanding immunization activities in primary care clinics, and funding collaborative efforts by various organizations to immunize children. These plans will be closely coordinated with the initiative to provide primary and preventive care for young children.

FEDERAL PAYMENT FOR PROGRAM COSTS

The Governor's Budget assumes receipt of federal funds for programs for which the federal government has responsibility.

Health Care for Illegal Immigrants. The OBRA of 1986 directs states to provide certain medical services to illegal immigrants. Part of the overall request for federal funding associated with illegal immigration is to offset \$310.4 million in Medi-Cal General Fund costs, commencing October 1, 1995. (See Section on Immigration for additional details.)

Full Reimbursement for Refugee Services. The Governor's Budget assumes that the federal government will provide funding for income support and health programs for refugees for the first 36 months after they are admitted to the United States,

as provided by federal law. This will result in General Fund savings in SSI/SSP of \$18.2 million, AFDC of \$38.7 million and Medi-Cal of \$45.7 million, assuming that federal funding is available on October 1, 1995.

Restriction of Coverage for Sponsored Aliens.

The Administration will seek federal statutory changes to extend from three to five years the prohibition of receiving welfare benefits for immigrants sponsored by others and an extension of that prohibition to Medicaid benefits. Conforming state law changes also will be sought for parallel relief for counties. This proposal is estimated to result in nine-month General Fund savings of \$36.8 million in Medi-Cal and \$27 million in AFDC.

PROPOSITION 99: THE TOBACCO TAX AND HEALTH PROTECTION ACT OF 1988

The Governor's Budget reflects expenditures from the Cigarette and Tobacco Products Surtax Fund as established by Proposition 99 in 1988, and as recently reauthorized for the 1994-95 and 1995-96 fiscal years in Chapter 195, Statutes of 1994 (AB 816). Tables HW-7, HW-8 and HW-9 display the available revenues and proposed expenditures from the Cigarette and Tobacco Products Surtax Fund in 1993-94, 1994-95 and 1995-96.

For 1994-95, revenues are estimated to be \$447.9 million. Revised expenditures reflect only minor caseload adjustments for the CHDP and Medi-Cal Perinatal Services programs. No prorata reductions are anticipated for those programs funded from the Health Education, Hospital Services, Physician Services or Research Accounts for 1994-95. For the Unallocated Account, however, unanticipated corrections to prior year revenue and expenditure accruals have reduced the reserves in this account to such an extent that a reduction of \$11.1 million will be required in 1994-95 in order to ensure that expenditures do not exceed available and projected resources for the Unallocated Account. Strategies to alleviate the funding reductions will be considered.

TABLE HW-7

**CIGARETTE AND TOBACCO PRODUCTS SURTAX FUND
REVENUES AND EXPENDITURES - 1993-94 ACTUAL**

(DOLLARS IN THOUSANDS)

	Admin. Board of Equalization	231 Health Education Account	232 Hospital Services Account	233 Physicians' Services Account	234 Research Account	235 Public Resources Account	236 Unallocated Account	Total
Revenues:								
Beginning Balance	—	\$11,271	\$8,357	\$4,573	\$4,488	\$7,621	\$31,591	\$67,901
Prior Year Adjustment	—	19,077	-3,122	454	-566	435	-18,412	-2,134
1993-94 Revenues	\$469	94,576	165,509	47,288	23,644	23,644	118,220	473,350
Interest Earned	—	<u>3,239</u>	<u>1,182</u>	<u>179</u>	<u>1,472</u>	<u>745</u>	<u>969</u>	<u>7,786</u>
Total Revenues	\$469	\$128,163 (20.0%)	\$171,926 (35.0%)	\$52,494 (10.0%)	\$29,038 (5.0%)	\$32,445 (5.0%)	\$132,368 (25.0%)	\$546,903 (100%)
Transfers:								
Access for Infants and Mothers (AIM)	—	—	-\$4,939	-\$13,676	—	—	-\$39,000	-\$57,615
Major Risk Medical Insurance Fund (Ch. 1168/89)	—	—	-18,000	-11,000	—	—	-1,000	-30,000
Habitat Conservation Fund	—	—	—	—	—	-\$3,246	-\$11,874	-\$15,120
Total Transfers	—	—	-\$22,939	-\$24,676	—	-\$3,246	-\$51,874	-\$102,735
Revised Total Resources	\$469	\$128,163	\$148,987	\$27,818	\$29,038	\$29,199	\$80,494	\$444,168
1993-94 Expenditures								
Department of Health Services	—	\$81,359	\$145,527	\$25,720	\$1,632	—	\$89,982	\$344,220
Department of Education	—	21,865	—	—	—	—	463	22,328
Office of Statewide Health Planning	—	—	399	—	—	—	—	399
University of California	—	—	—	—	5,348	—	—	5,348
Secretary for Resources	—	—	—	—	—	\$76	—	76
CA Conservation Corps	—	—	—	—	—	226	—	226
Forestry and Fire Protection	—	—	—	—	—	606	—	606
Fish and Game	—	—	—	—	—	8,203	—	8,203
Parks and Recreation	—	—	—	—	—	15,443	—	15,443
Water Resources Control Board	—	—	—	—	—	756	—	756
Board of Equalization	\$469	—	—	—	—	—	—	469
Direct Pro Rata Charges to funds	—	—	50	15	66	—	259	390
Total Expenditures	\$469	\$103,224	\$145,976	\$25,735	\$7,046	\$25,310	\$90,704	\$398,464
Reserve	—	\$24,939	\$3,011	\$2,083	\$21,992	\$3,889	-\$10,210	\$45,704

TABLE HW-8

**CIGARETTE AND TOBACCO PRODUCTS SURTAX FUND
REVENUES AND EXPENDITURES - 1994-95 REVISED**

(DOLLARS IN THOUSANDS)

	Admin. Board of Equalization	231 Health Education Account	232 Hospital Services Account	233 Physicians' Services Account	234 Research Account	235 Public Resources Account	236 Unallocated Account	Total
Revenues:								
Beginning Balance	—	\$24,939	\$3,011	\$2,083	\$21,992	\$3,889	-\$10,210	\$45,704
1994-95 Revenues	\$898	89,400	156,451	44,700	22,350	22,350	111,751	447,900
Estimated Interest	—	<u>2,500</u>	<u>600</u>	<u>75</u>	<u>1,500</u>	<u>350</u>	<u>100</u>	<u>5,125</u>
Total Revenues	\$898	\$116,839	\$160,062	\$46,858	\$45,842	\$26,589	\$101,641	\$498,729
		(20.0%)	(35.0%)	(10.0%)	(5.0%)	(5.0%)	(25.0%)	(100%)
Transfers:								
Access for Infants and Mothers(AIM)	—	—	-\$4,939	-\$13,676	-\$11,000	—	-\$39,000	-\$68,615
Major Risk Medical Insurance Fund (Ch. 1168/89)	—	—	-18,000	-11,000	—	—	-1,000	-30,000
Habitat Conservation Fund	—	—	—	—	—	-3,508	-11,175	-14,683
Total Transfers	—	—	-\$22,939	-\$24,676	-\$11,000	-\$3,508	-\$51,175	-\$113,298
Revised Total Resources	\$898	\$116,839	\$137,123	\$22,182	\$34,842	\$23,081	\$50,466	\$385,431
1995-96 Appropriations/Estimated Expenditures								
Department of Health Services	—	\$70,965	\$133,440	\$20,248	\$20,114	—	\$50,001	\$294,768
Department of Education	—	18,808	—	—	—	—	260	19,068
University of California	—	—	—	—	4,000	—	—	4,000
Secretary for Resources	—	—	—	—	—	\$24	—	24
CA Conservation Corps	—	—	—	—	—	234	—	234
Forestry and Fire Protection	—	—	—	—	—	331	—	331
Fish and Game	—	—	—	—	—	6,914	—	6,914
Parks and Recreation	—	—	—	—	—	11,832	—	11,832
Water Resources	—	—	—	—	—	2,087	—	2,087
Water Resources Control Board	—	—	—	—	—	775	—	775
Board of Equalization	\$898	—	—	—	—	—	—	898
Direct Pro Rata Charges to funds	—	<u>99</u>	<u>20</u>	<u>—</u>	<u>47</u>	<u>—</u>	<u>205</u>	<u>371</u>
Total Expenditures	\$898	\$89,872	\$133,460	\$20,248	\$24,161	\$22,197	\$50,466	\$341,302
Reserve	—	\$26,967	\$3,663	\$1,934	\$10,681	\$884	—	\$44,129

TABLE HW-9

**CIGARETTE AND TOBACCO PRODUCTS SURTAX FUND
REVENUES AND EXPENDITURES - 1995-96 ESTIMATED
(DOLLARS IN THOUSANDS)**

	Admin Board of Equalization	231 Health Education Account	232 Hospital Services Account	233 Physicians' Services Account	234 Research Account	235 Public Resources Account	236 Unallocated Account	Total
Revenues:								
Beginning Balance	—	\$26,967	\$3,663	\$1,934	\$10,681	\$884	—	\$44,129
1995-96 Revenues	\$870	86,706	151,735	43,353	21,677	21,677	\$108,382	434,400
Estimated Interest	—	<u>2,700</u>	<u>725</u>	<u>75</u>	<u>1,500</u>	<u>150</u>	<u>100</u>	<u>5,250</u>
Total Revenues	\$870	\$116,373 (20.0%)	\$156,123 (35.0%)	\$45,362 (10.0%)	\$33,858 (5.0%)	\$22,711 (5.0%)	\$108,482 (25.0%)	\$483,779 (100%)
Transfers:								
Access for Infants and Mothers(AIM)	—	—	-\$4,939	-\$13,676	-\$11,000	—	-\$39,000	-\$68,615
Major Risk Medical Insurance Fund (Ch. 1168/89)	—	—	-18,000	-11,000	—	—	-1,000	-30,000
Habitat Conservation Fund	—	—	—	—	—	-3,402	-10,838	-14,240
Total Transfers	—	—	-\$22,939	-\$24,676	-\$11,000	-\$3,402	-\$50,838	-\$112,855
Revised Total Resources	\$870	\$116,373	\$133,184	\$20,686	\$22,858	\$19,309	\$57,644	\$370,924
1995-96 Appropriations/Estimated Expenditures								
Department of Health Services	—	\$69,650	\$129,140	\$18,498	\$16,814	—	\$56,030	\$290,132
Department of Education	—	16,757	—	—	—	—	313	17,070
University of California	—	—	—	—	4,000	—	—	4,000
CA Conservation Corps	—	—	—	—	—	\$234	—	234
Forestry and Fire Protection	—	—	—	—	—	320	—	320
Fish and Game	—	—	—	—	—	6,248	—	6,248
Parks and Recreation	—	—	—	—	—	10,893	—	10,893
Water Resources Control Board	—	—	—	—	—	775	—	775
Board of Equalization	\$870	—	—	—	—	—	—	870
Direct Pro Rata Charges to funds	—	<u>87</u>	<u>28</u>	<u>3</u>	<u>48</u>	—	<u>126</u>	<u>292</u>
Total Expenditures	\$870	\$86,494	\$129,168	\$18,501	\$20,862	\$18,470	\$56,469	\$330,834
Reserve	—	\$29,879	\$4,016	\$2,185	\$1,996	\$839	\$1,175	\$40,090

For 1995-96, estimated revenues decline to \$434.4 million. The proposed expenditures reflect the amounts provided by Chapter 195 with the exception of caseload adjustments for the Medi-Cal Perinatal Services program and the combined impact of caseload increases and vaccine savings which allow CHDP program costs to be reduced by \$2.2 million. No prorata reductions to other Proposition 99 funded programs are anticipated at this time for 1995-96.

DEPARTMENT OF MENTAL HEALTH

Mental Health Managed Care. In cooperation with representatives of mentally ill consumers, county mental health departments, and mental health providers, the Department of Mental Health (DMH) has developed a nationally recognized comprehensive initiative to provide mental health managed care for Medi-Cal beneficiaries. Under this program, counties which elect to participate will receive the state and federal funds which otherwise would have been spent by the Department of Health Services Medi-Cal program for mental health services. In turn, the counties will become Mental Health Managed Care Plans (MHPs), and accept responsibility for providing all mental health services for Medi-Cal eligibles in their geographic area.

Initially, this transfer of funding and responsibility will apply only to the inpatient psychiatric services available under Medi-Cal, and took effect January 1, 1995. A total of \$53.8 million General Fund was transferred from the Department of Health Services to the Department of Mental Health to fund the initial six months of managed care services. In 1995-96, the amount to be transferred is \$114.1 million General Fund. In both years, the federal financial participation which will be matched by the transferred General Fund will continue to flow through the Department of Health Services Medi-Cal budget.

By July 1, 1996, it is expected that the balance of specialty mental health services currently offered under the Medi-Cal program will be transferred to the county MHPs. Finally, by July 1, 1997, it is anticipated that the county MHPs will be capitated, at which point the counties will receive a fixed amount

of funding per eligible each month regardless of service usage.

Mental Health Managed Care brings to the public mental health delivery system a variety of programmatic and fiscal reforms which offer benefits to consumers and taxpayers alike. Among these are the following:

- ❑ A single point of responsibility for Medi-Cal beneficiaries. Currently, an individual may receive both Medi-Cal fee-for-service (MC/FFS) mental health services and county-operated Short-Doyle/Medi-Cal (SD/MC) services. This leaves no single entity responsible for ensuring that a beneficiary receives appropriate, coordinated care. Additionally, it results in duplicate administrative costs and enables one system to shift costs to another. A single MHP in each county will mitigate these problems.
- ❑ Expanded use of preventive and rehabilitative treatment in place of hospitalization. Currently, MC/FFS offers a limited range of services for consumers, not including many preventive and rehabilitative treatments. As a result, individuals are more likely to incur a crisis and end up hospitalized -- two-thirds of all fee-for-service mental health dollars are now spent for expensive inpatient services. By combining funding and program responsibility into a single system, the counties will have both the resources and the incentives to emphasize preventive services. Moreover, by reducing their use of hospitalization, counties will be able to redirect funds into additional community services and thereby develop more comprehensive community-based services for persons in need.
- ❑ The increasing costs of Medi-Cal mental health services will be restrained. Since 1990-91, MC/FFS mental health care has more than doubled in cost. This rapid cost growth reflects a variety of factors, including the population growth of Medi-Cal eligibles, the recession-induced constraints on local mental health funding, and, as noted above, a shifting of costs from cash-strapped local programs to Medi-Cal. Combining MC/FFS and county SD/MC programs into a single county MHP will

eliminate both duplicative administrative costs and costshifting, and will almost certainly reduce the need for and use of expensive hospitalization. Additionally, each local MHP will have the opportunity to negotiate favorable rates with providers in order to ensure that it doesn't over-expend its budget. As a result, cost growth will be cut significantly while service levels are maintained and improved.

Early Mental Health Initiative. Research has shown that the behavior of children who are "at-risk" of developing severe adjustment problems in school and society is often detectable at an early age. Providing early mental health intervention and prevention services to young children is cost effective and improves the likelihood of a child's educational and social success. There are approximately 1.7 million children between the ages of five and nine in California. Current estimates indicate that approximately three of every ten children, or an estimated 500,000 children in California, are at risk of failing in school. In 1994-95, the Budget provides approximately \$12 million in Proposition 98 General Fund for the Early Mental Health Initiative, enough to provide services to approximately 40,000 children. Since a portion of these funds are one-time and carryover monies, the 1995-96 Governor's Budget proposes to increase the base for this program by \$2 million in order to maintain the current \$12 million funding level and avoid reducing the number of children served.

Children's System of Care. The Children's System of Care (CSOC) was initiated in 1985 as the Ventura Demonstration Project for comprehensive, coordinated mental health services for seriously emotionally disturbed children. Subsequent evaluations indicate that CSOC models have been successful in reducing the number of children placed in out-of-home care, reducing the number of children placed in state hospitals, and reducing the use of restrictive levels of care for children. In achieving these goals, the CSOCs have been able not only to improve the functioning and success of children at risk, but also to be cost-effective by reducing the number and intensity of other social service interventions required.

Currently, CSOC models operate in 11 counties, with total funding of \$9,297,000. Despite the enactment of Chapter 1229, Statutes of 1992, which authorizes statewide implementation of the model, additional counties have been unable to initiate the program due to lack of funds. The Governor's Budget proposes to address this problem by redirecting \$1,931,000 from the Sex Offender Treatment and Evaluation Program in the state hospital budget. This redirection is consistent with the Administration's focus on preventing serious problems from developing rather than treating them after the fact. The DMH plans to use the additional funds to contract with three to seven additional counties via a Request for Proposals process.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The Employment Development Department (EDD) is reengineering the California Employment Tax System. This re-engineering will significantly reduce the administrative burden on California employers. Employers will now report on an annual basis instead of quarterly, saving both employers and EDD time and money. The EDD will continue to automate the Employment Tax System thereby freeing resources to assist new and ongoing businesses in complying with California tax laws. These changes will contribute towards an improved business climate while generating additional General Fund revenue for the State.

The EDD and Franchise Tax Board also have established a partnership which will make it easier for California employers and individuals to file their tax returns. These agencies, by working together and using modern electronic technologies are developing new systems to reduce taxpayer filing burdens through consolidation and simplification. California employers and taxpayers will benefit significantly through this partnership.

STATE-LOCAL REALIGNMENT

In 1991-92, funding and responsibility for administration of a number of health, mental health and social services programs were transferred from the

State to the counties under the State-Local Realignment initiative. Chapter 89, Statutes of 1991, established the Local Revenue Fund to receive the revenues from a new one-half cent sales tax and an increase in the motor vehicle license fees. A total of fourteen other accounts and subaccounts were also established in this legislation, as well as rules governing the amounts of revenue to be deposited in each, and procedures for allocating the deposited funds to participating local governments.

A total of \$2.2 billion was anticipated for Realignment in 1991-92. However, actual revenues were \$242 million lower, necessitating a discussion in 1992-93 regarding the allocation of any growth revenues. Agreement was reached under which growth revenues not needed to meet caseload increases in entitlement programs would initially be used to restore each program's base to the amount originally projected for 1991-92. Growth funds beyond those needed for base restoration would be used to address equity issues and to provide funding for general purposes. Legislation to implement this

TABLE HW-10

**STATE-LOCAL REALIGNMENT
(WHOLE DOLLARS)
1993-94**

Account	Mental Health	Public Health	Social Services	Totals
BASE FUNDING				
Sales Tax Account:				
Mental Health Subaccount	\$695,102,739	—	—	—
Health Subaccount	—	\$187,805,328	—	—
Social Services Subaccount	—	—	\$507,084,155	—
HSS Registry Model Subaccount	—	—	1,155,000	—
Total Sales Tax Base	—	—	—	\$1,391,147,222
Vehicle License Fee Account ^{1/}	<u>13,884,034</u>	<u>698,532,044</u>	<u>3,511,304</u>	<u>715,927,382</u>
Total Base	\$706,966,773	\$886,783,706	\$511,750,459	\$2,107,074,604
GROWTH FUNDING				
Sales Tax Growth Account:				
Caseload Subaccount	—	—	10,190,086	10,190,066
Vehicle License Fee Growth Account	<u>326,867</u>	<u>446,334</u>	<u>82,666</u>	<u>855,867</u>
Total Growth	\$326,867	\$446,334	\$10,272,752	\$11,045,953
Total Realignment	\$709,313,640	\$886,783,706	\$522,023,211	\$2,118,120,557

1994-95

Account	Mental Health	Public Health	Social Services	Totals
BASE FUNDING				
Sales Tax Growth Account:				
Mental Health Subaccount	\$695,102,739	—	—	—
Health Subaccount	—	\$187,805,328	—	—
Social Services Subaccount	—	—	\$518,429,241	—
Total Sales Tax Base	—	—	—	\$1,401,337,306
Vehicle License Fee Account ^{1/}	<u>14,210,901</u>	<u>696,978,378</u>	<u>3,593,970</u>	<u>716,783,249</u>
Total Base	\$709,313,640	\$886,783,708	\$522,023,211	\$2,118,120,557
GROWTH FUNDING				
Sales Tax Growth Account:				
Caseload Subaccount	—	—	\$4,169,028	\$4,169,028
Base Restoration Subaccount	\$31,403,043	\$42,880,474	10,069,965	84,353,482
CMSP Subaccount	—	1,105,469	—	1,105,469
Indigent Health Subaccount	—	1,301,174	—	1,301,174
Community Health Subaccount	—	3,186,202	—	3,186,202
Mental Health Subaccount	1,029,627	—	—	1,029,627
State Hospital Subaccount	1,827,804	—	—	1,827,804
General Growth Subaccount	8,389,198	8,481,888	—	16,871,086
Special Equity Subaccount ^{2/}	—	1,065,036	—	2,130,071
Total Sales Tax Growth Account	42,649,672	59,085,278	14,238,993	115,973,943
Vehicle License Fee Growth Account	<u>11,957,017</u>	<u>15,822,086</u>	<u>2,641,398</u>	<u>30,420,501</u>
Total Growth	\$54,284,899	\$75,229,154	\$16,880,391	\$146,394,444
Total Realignment	\$763,596,538	\$962,012,860	\$538,903,602	\$2,264,515,000

Continued on following page...

agreement was enacted as Chapter 100, Statutes of 1993.

As provided in Chapter 100, the growth amount of \$136.3 million was used in 1992-93 to eliminate 56 percent of the total shortfall in base revenues.

In 1993-94 revenues exceeded the amount collected in the prior year by \$10 million in sales tax and \$0.9 million in vehicle license fee receipts. At the same time, caseload growth in a number of realigned programs totaled more than \$14 million. By law, sales tax growth monies must be used to fund caseload growth prior to being used for base restoration. Consequently, in 1993-94 all sales tax growth monies were allocated to counties for caseload growth purposes and only the \$0.9 million in vehicle license fee growth revenue was available for base restoration.

Current law does not specify what is to happen if sales tax growth revenues are not sufficient to fully fund caseload growth. Table HW-10 assumes that legislation will be enacted to provide that the \$4 million shortfall in caseload growth funding in 1993-94 will be paid from 1994-95 sales tax growth revenue.

Total growth revenues for 1994-95 are currently estimated at \$116 million in sales tax and \$30 million in vehicle license fees. In addition to funding the remaining \$4 million of 1993-94 caseload growth, these amounts are sufficient to fully fund the remaining \$106 million in base restoration and provide nearly \$36 million in growth for various Realignment equity subaccounts, the County Medical Services Subaccount and the General Growth Subaccount. Total Realignment allocations in 1994-95 are estimated to be \$2.265 billion.

TABLE HW-10 (CONT'D)
STATE-LOCAL REALIGNMENT
(WHOLE DOLLARS)
1995-96

Account	Mental Health	Public Health	Social Services	Totals
BASE FUNDING				
Sales Tax Growth Account:				
Mental Health Subaccount	\$737,817,446	—	—	—
Health Subaccount	—	\$245,825,570	—	—
Adult Social Services Subaccount	—	—	\$110,154,234	—
Children's Social Services Subaccount	—	—	1,132,734,000	—
Total Sales Tax Base	—	—	—	\$2,227,531,250
Vehicle License Fee Account ^{1/}	<u>26,167,918</u>	<u>714,800,464</u>	<u>6,235,368</u>	<u>747,203,750</u>
Total Base	\$764,985,364	\$960,626,034	\$1,249,123,602	\$2,974,735,000
GROWTH FUNDING				
Sales Tax Growth Account:				
CMSP Growth Subaccount	—	\$3,201,344	—	\$3,201,344
Special Equity Subaccount ^{2/}	\$6,451,259	6,451,259	—	12,902,518
Indigent Health Subaccount	—	3,406,256	—	3,406,258
Community Health Subaccount	—	8,340,941	—	8,340,941
Mental Health Subaccount	2,695,389	—	—	2,695,389
State Hospital Subaccount	4,784,884	—	—	4,784,884
General Growth Subaccount	21,961,511	22,204,157	—	44,165,668
Total, Sales Tax Growth Account	35,893,043	43,603,957	—	79,497,000
Vehicle License Fee Growth Account	<u>2,814,296</u>	<u>4,784,704</u>	—	<u>7,599,000</u>
Total Growth	\$38,707,339	\$48,388,681	—	\$87,096,000
Total Realignment	\$804,309,369	\$1,008,398,029	\$1,249,123,602	\$3,061,831,000

^{1/} Does not include \$14 million in Vehicle License Collection Account monies since these are not derived from Realignment revenue sources.

^{2/} This display assumes counties split these funds equally between health and mental health.

In 1995-96, existing Re-alignment revenues are expected to grow to \$2.352 billion. Of this, sales tax growth revenues are expected to total \$79 million and vehicle license fee growth revenues are expected to be \$8 million. Since base restoration will have been completed by this time, these funds will be allocated to the County Medical Services Subaccount, the other health and mental health equity subaccounts and the General Growth Subaccount.

In 1995-96, the Administration is proposing to build upon the existing State-Local Realignment with a realignment of children's social services programs. A total of

programs. A total of \$710 million in existing General Fund sales tax revenue will be allocated through the existing Local Revenue Fund. Counties will be responsible for funding 100 percent of the non-federal share of the Child Welfare Services, Foster Care and Adoptions programs. For details on the program changes associated with this proposal, please see the Section on the State-Local Government—A Partnership for Results.

IMMIGRATION REFORM AND CONTROL ACT OF 1986

The federal government enacted the Immigration Reform and Control Act (IRCA) in November 1986. Through IRCA, State Legalization Impact Assistance Grant (SLIAG) funds have been allocated to states to assist in the cost of providing public health, public assistance, and education services to eligible persons who applied for legal residence status. The five-year eligibility for persons to have been served under this program has expired. Over 3 million persons nationwide applied for legal residence status under IRCA, according to the U.S. Immigration and

Naturalization Service. Of that number, more than 50 percent resided in California.

The amount of SLIAG funds authorized for the states under the 1986 IRCA legislation, after deducting an estimated \$500 million offset for federal costs, was expected to be \$3.5 billion. Of that amount, California's share, based on population and costs, had been expected to be, minimally, \$2.1 billion, or 60 percent. Actual claims data, however, indicate that California's cumulative IRCA-related costs could approximate \$2.4 billion. To date, California has received a cumulative total of \$2.15 billion in SLIAG funding from the federal government; and, with its 1994 appropriation, Congress now has fully allocated the total \$4 billion that had been authorized by IRCA in 1986. It is expected that the U.S. Department of Health and Human Services will reallocate unused SLIAG monies among states with remaining unpaid claims, and California should receive approximately \$200 million from that process to reimburse final costs.

It is expected that local government claims will require the principal amount of any supplemental grant that California might receive, because state government claims will have been substantially satisfied through the earlier allocations shown in Table HW-11.

TABLE HW-11

**IMMIGRATION REFORM AND CONTROL ACT
EIGHT-YEAR EXPENDITURE PLAN**

(DOLLARS IN THOUSANDS)

Program Allocation	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	Category Totals
Public Health									
TB/Leprosy Control	\$1,477	\$1,533	\$530	\$552	—	—	—	—	\$4,092
Sexually Transmitted Diseases	1,518	1,077	1,035	1,079	—	—	—	—	4,709
Immunizations	24	46	336	242	\$242	—	—	—	890
Perinatal Services	—	—	137	—	—	—	—	—	137
Family Planning	—	1,068	—	989	989	—	—	—	3,046
Adolescent Family Life	—	—	22	99	—	—	—	—	121
IRCA Subvention	10,416	21,060	21,948	26,047	29,595	—	\$17,756	\$1,084	127,906
Public Health Administration	<u>281</u>	<u>1,012</u>	<u>1,527</u>	<u>1,816</u>	<u>1,238</u>	<u>\$588</u>	<u>—</u>	<u>—</u>	<u>6,462</u>
Subtotals	\$13,716	\$25,796	\$25,535	\$30,824	\$32,064	\$588	\$17,756	\$1,084	\$147,363
Public Assistance									
General Assistance	11	448	1,877	1,308	—	2,440	1,056	6,815	13,955
Foster Care	22	880	1,178	2,052	—	—	2,805	735	7,672
AFDC-FG	11	121	298	2,358	—	—	—	—	2,788
SSI/SSP	—	2,256	8,966	20,766	—	—	51,707	715	84,410
Food Stamps	17	129	293	908	—	—	3,756	1,400	6,503
Housing	—	137	110	—	—	—	—	—	247
Medi-Cal	—	7,959	35,769	164,978	11,500	49,745	339,326	3,339	612,616
Calif. Children's Services	321	256	355	355	—	—	—	—	1,287
Medically Indigent Services	73,733	149,971	178,917	180,323	—	84,031	86,815	180,453	934,243
County Medical Services	225	1,343	2,409	4,360	—	2,466	5,000	612	16,415
Primary Care Clinics	8,696	8,597	9,120	13,000	—	4,340	2,356	2,500	48,609
Mental Health	—	8,992	6,654	8,564	—	—	8,923	2,347	35,480
Prior year adjustment	—	—	—	—	—	6,169	7,265	—	13,434
HCD Administration	—	55	69	65	—	—	—	—	189
DMH Administration	—	132	300	248	—	—	—	—	680
DSS Administration	209	515	569	648	599	475	99	—	3,114
DHS Administration	—	996	2,347	2,687	1,730	1,309	960	—	10,029
HWA Administration	—	1,206	1,020	1,394	132	138	100	—	3,990
Auditor General Administration	—	—	30	—	—	—	—	—	30
Subtotals	\$83,245	\$183,993	\$250,281	\$404,014	\$13,961	\$151,113	\$510,168	\$198,916	\$1,795,691
Anti-Discrimination/Education									
EDD	—	—	—	548	—	—	—	—	548
Employment & Housing	—	—	—	565	—	—	—	—	565
HWA	—	—	—	740	—	—	—	—	740
Subtotals	—	—	—	\$1,853	—	—	—	—	\$1,853
Education									
Adult Education	8,063	112,399	104,814	87,347	56,231	24,800	1,091	—	394,745
K-12	926	1,233	—	—	—	—	—	—	2,159
SDE and CCC Administration	<u>251</u>	<u>1,553</u>	<u>1,836</u>	<u>2,090</u>	<u>971</u>	<u>627</u>	<u>416</u>	<u>9</u>	<u>7,753</u>
Subtotals	\$9,240	\$115,185	\$106,650	\$89,437	\$57,202	\$25,427	\$1,507	\$9	\$404,657
TOTALS	\$106,201	\$324,974	\$382,466	\$526,128	\$103,227	\$177,128	\$529,431	\$200,009	\$2,349,564

The Administration continues to make public safety a top priority. The amounts proposed for the Youth Authority, the Department of Corrections, the California Highway Patrol and the Department of Justice reflect this commitment to the safety and security of all Californians.

The 1995-96 Governor's Budget supports the correctional programs required for the steadily increasing prison population, which results from tougher criminal sentencing laws and increased law enforcement efforts. The most recent fall 1994 inmate population projections of the Department of Corrections predict that the inmate population will grow to 148,599 by June 30, 1996, a two-year increase of nearly 24,000 inmates. Based on the projected number of inmates, as of June 30, 1996, California's prisons will operate at a crowding level of approximately 185 percent.

The total inmate and parole populations will require a workforce of over 39,000 personnel years in 1995-96. As shown in Figure PUB-A, funding to support the various programs within the Youth and Adult Correctional Agency will grow to approximately \$4.33 billion. This amount reflects a 9.9 percent increase over the revised current year budget. De-

Public Safety

spite the growth in the size of these programs, it should be noted that, for calendar year 1993, California was ranked only 14th among the 50 States and the District of Columbia

for its incarceration rate of 352 inmates per 100,000 population, compared to a nationwide rate of 344 inmates, as reflected in Figure PUB-B. Although California has the largest inmate population in the United States, on a per inmate basis California's institutions are operated with less uniform staff than the overwhelming majority of other states. Based on the ratio of inmates to uniform staff, as of January 1, 1994, California is ranked 46th.

FIGURE PUB-B
INCARCERATION RATE COMPARISON
(Per 100,000 Population)

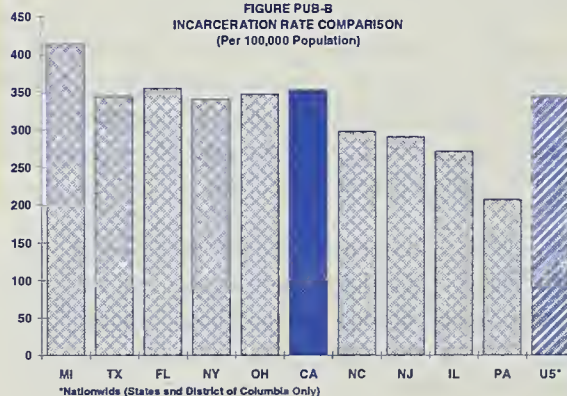
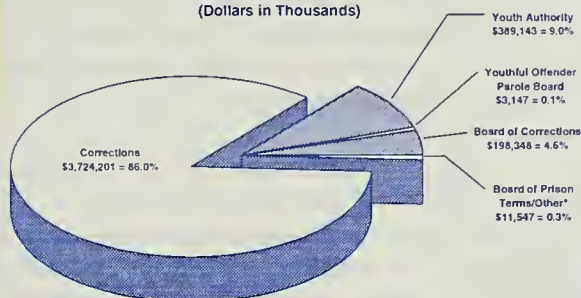


FIGURE PUB-A
YOUTH AND ADULT CORRECTIONAL AGENCY
PROPOSED 1995-96 EXPENDITURES
ALL FUNDS
(Dollars in Thousands)



* Includes Agency Secretary.

The following expenditure programs for public safety are included in the 1995-96 Governor's Budget:

YOUTH AND ADULT CORRECTIONAL AGENCY

The Youth and Adult Correctional Agency provides communication, coordination, and budget and policy direction for the departments and boards which comprise the agency. Chapter 766, Statutes of 1994, established the Office of the Inspector General in the Youth and Adult Correctional Agency. The Office of the Inspector General was created in response to the findings of the Milton Marks Commission on California State Government Organization and Economy that greater consistency is needed between

the Department of Corrections and the Youth Authority in the application of policy and practice with regard to the internal investigation process. Funding for the Office of the Inspector General was transferred to the Youth and Adult Correctional Agency from existing funding for internal investigations previously budgeted in the Department of Corrections and the Youth Authority.

DEPARTMENT OF CORRECTIONS

The Department of Corrections (CDC) is responsible for incarceration of convicted felons and for the supervision of these felons after their release on parole.

By June 30, 1995, California's prison population will have grown from less than 35,000 inmates in 1983 to approximately 131,700. The department now operates 30 institutions, 11 reception centers, 39 camps and 52 community correctional facilities with a total design capacity of 71,479. During the last ten years, the parole population grew from less than 28,000 to approximately 92,000.

The 1995-96 Governor's Budget proposes \$3.7 billion, including \$246.0 million in general obligation bond debt service costs and 39,055 personnel years for state operations and local assistance programs, to accommodate these expanding populations (see Figure PUB-C).

The Department's inmate population is projected to increase from 131,700 on June 30, 1995, to 148,599 by June 30, 1996, an increase of 16,899 inmates, or 12.8 percent. The Governor's Budget proposes an increase of \$412.8 million and 3,705 personnel years over the revised 1994-95 budget to support this increased population, including the staff and operating costs to activate new institutions (Lassen II-August 1995, Soledad II-February 1996).

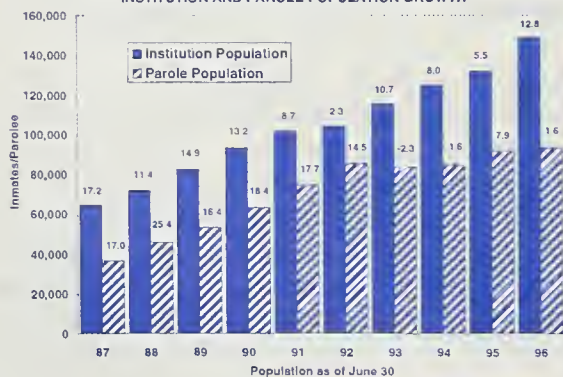
The parole population is projected to increase from 91,927 on June 30, 1995, to 93,410 on June 30, 1996, an increase of 1,483 parolees, or 1.6 percent.

Health Care Delivery. Driven by more and more complex health and mental health demands from an increasing inmate population, the department is implementing a multi-level approach to addressing health care issues within the institutional setting. The 1995-96 Governor's Budget proposes funding totaling \$27.7 million for the new health care delivery system including \$19.6 million in General Fund spending and 211 personnel years to implement the second phase of the system. The first phase of this system was implemented in 1994-95 and included \$8.1 million for mental health resources that provide the department the ability to appropriately identify and provide mental health services to inmates in a timely and comprehensive manner in eight institutions.

The second phase of the implementation of the health care delivery system includes expanding the outpatient mental health services program to a total of 17 institutions served through 11 service centers. Short-term inpatient mental health crisis services will be available in a total of 13 institutions at the completion of phase II. Further, 188 sub-acute medical care beds will be implemented in 13 institutions during phase II.

Contract Medical Services. In addition to improving the method of health care service delivery in the prisons, the budget proposes 19 utilization review nurses to oversee the use of contracted medical care. The model proposed is similar to that used currently in the medical and insurance industries.

FIGURE PUB-C
DEPARTMENT OF CORRECTIONS
INSTITUTION AND PAROLE POPULATION GROWTH



Treatment of AIDS. The 1995-96 Governor's Budget increases services for HIV/AIDS inmates at a cost of \$1,445,000, General Fund, and 16 personnel years. This includes \$954,000 for drugs for the treatment of HIV/AIDS inmates, 8 personnel years to provide staff for ten additional hospice beds for terminal patients with AIDS, and 8 personnel years to provide services to an increased HIV/AIDS population.

Illegal Immigrants. As the percentage of illegal immigrants in our prison system increases from 13.9 percent in the 1993-94 fiscal year to 14.49 percent in the 1994-95 and 1995-96 fiscal years, the state continues to experience related cost increases. For 1994-95, the department is estimated to expend approximately \$413.6 million for incarceration and parole supervision. In the budget year, CDC costs are estimated to be \$468 million, an increase of 13 percent. This budget anticipates the recovery of these costs from the Federal Government.

Correctional Management Information System. The budget reflects the continuation of the Department's effort to develop a single automated offender information system. The 1995-96 Governor's Budget proposes \$8.7 million to continue the development of the Correctional Management Information System. Once implemented, the system will create a single automated capability that will satisfy the needs of all offender information system users and serve as the hardware and software platform for future information systems.

Pregnant and Parenting Women's Sentencing Alternative Program. The budget includes \$1.0 million in Federal Fund authority and one personnel year for a mid-year start-up and operational funds to implement a 25 bed alternative sentencing program for pregnant and parenting women with a history of substance abuse consistent with Chapter 63, Statutes of 1994 (SB 519).

Prison Construction. Over the past twelve years, the Department of Corrections has been responsible for managing an extensive and aggressive prison construction program. The impetus behind new prison construction has been the dramatic result of tougher laws and more severe penalties. To date, 24

major projects, which include three 500-bed additions and new modular housing units at existing institutions, have been completed. These projects vary in size from 100 to over 3,000 beds. The Department also constructed a 75-bed hospital at the California State Prison, Corcoran, which was the first prison hospital constructed in California in over 30 years.

Three new prisons are presently under construction: Valley State Prison for Women (Madera II) in Madera County, Lassen County (Lassen II) facility near Susanville, and California State Prison, Monterey County in Soledad (Soledad II). The California Substance Abuse Treatment Facility and State Prison at Corcoran II project nearby the existing Corcoran facility, which includes a 21-bed addition to the 75-bed hospital at the California State Prison, Corcoran, is scheduled to begin construction in 1995. Upon completion of these projects, the department will have added approximately 53,000 design level prison beds to the 27,000 beds available at the beginning of the New Prison Construction Program in 1980. (Refer to Table PUB-1 for a listing of all new prison-bed projects.)

A significant contribution to this effort has been the Department's use of various prototype building plans which, depending on the level and mission, can be refined and adapted, as needed, to new sites. The use of prototype building plans continue to streamline the design and construction process.

As a result of the enactment of the "Three Strikes" law in 1994, as well as numerous other sentencing laws, it is assumed that prison population will increase significantly faster than new prisons can be constructed. It is difficult to determine what the precise population will be in future years given the probable but unknown impact that these laws will have as a deterrent to criminal behavior. However, as reflected in figure PUB-D, the range of additional population which is estimated for the prison system is of such a magnitude that even if the traditional population growth trends are used, the occupancy rate would be approximately 280 percent of the bed design capacity.

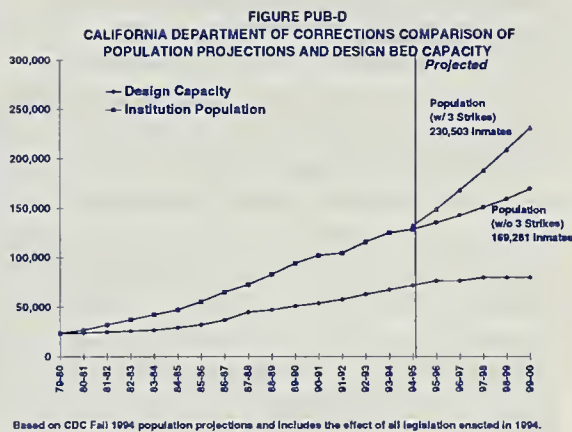
TABLE PUB-1

**DEPARTMENT OF CORRECTIONS
NEW PRISON BED CONSTRUCTION PROJECTS**

Major Projects	Design Bed Capacity	Construction Start	Initial Occupancy
NEW PRISONS-COMPLETED:			
Mule Creek State Prison	1,700	January 1985	June 1987
Richard J. Donovan Correctional Facility at Rock Mountain	2,200	May 1985	July 1987
Northern California Women's Facility	400	November 1985	July 1987
Avenal State Prison	3,034	December 1985	January 1987
CSP-Kings County at Corcoran	2,916	September 1986	February 1988
Pelican Bay State Prison	2,280	March 1987	December 1989
Chuckawalla Valley State Prison	2,000	May 1987	December 1988
Central California Women's Facility	2,000	October 1988	October 1990
Wasco State Prison-Reception Center	2,484	May 1989	February 1991
Calipatria State Prison	2,208	March 1990	January 1992
North Kern State Prison	2,492	February 1990	April 1993
CSP-Los Angeles County	2,200	October 1990	February 1993
Centinela State Prison	2,208	July 1991	October 1993
Ironwood State Prison	2,400	January 1992	February 1994
Pleasant Valley State Prison	<u>2,208</u>	July 1992	November 1994
Subtotal	32,730		
MAJOR EXPANSIONS-COMPLETED:			
California Men's Colony-West, Renovation	900	1983	June 1984
Southern Maximum Security Complex	1,000	June 1983	October 1985
CSP-Solano County	2,404	January 1984	August 1984
CSP-Sacramento County at Folsom	1,728	April 1985	October 1986
Three 500-Bed Additions	1,500	November 1985	August 1986
California Institution for Women, Special Housing Unit	<u>100</u>	October 1986	June 1987
Subtotal	7,632		
OTHER PROJECTS-COMPLETED:			
Camps	1,370	Various	June 1984
Modular Housing Units	<u>1,000</u>	Various	June 1984
Subtotal	2,370		
OTHER AUTHORIZED PROJECTS:			
CSP-Lassen County (Susanville II)	2,224	March 1993	August 1995
Valley State Prison for Women (Madera II)	1,984	June 1993	May 1995
CSP-Monterey County (Soledad II)	2,224	April 1994	February 1996
California Substance Abuse Treatment Facility and State Prison at Corcoran II	<u>3,700</u>	April 1995	August 1997
Subtotal	<u>10,132</u>		
GRAND TOTAL	52,864		

The annual inmate population increases projected for the next five years could generate growth ranging from approximately 8,000 inmates per year without the impact of "Three Strikes" to over 19,000 inmates per year with the full impact of "Three Strikes". To bridge this potential gap and given that new prisons take several years to site, design and construct, the department is developing a temporary emergency bed program to address this bed deficit. This program is a stop gap measure which will provide for modifications to existing housing units and the construction of additional housing units to accommodate crowding at existing prisons.

Financing the costs of new prison construction has been provided through a mixture of funding methods: general obligation bonds, revenue bonds backed by lease purchase agreements, and direct appropriations from the General Fund. General obligation bonds have been the cornerstone. Five Prison Construction Bond Acts totaling \$2.6 billion of the \$5.1 billion New Prison Construction Program were approved by the voters in 1981, 1984, 1986, 1988 and 1990. However, these bond funds will be exhausted by appropriations proposed in this Budget. The Legislature has also authorized a total of \$2.5 billion in financing for prison construction through



State Public Works Board issued lease purchase revenue bonds.

Even with the number of new beds added to the prison system, the increasing population puts a severe strain on existing institutions. The accelerated deterioration associated with prolonged overcrowding, discharge and contamination problems requires major capital improvements to many existing facilities.

The Governor's Budget proposes special legislation to provide \$2.0 billion in lease revenue bonds to build six new prisons which will add approximately 13,800 beds. Additionally, the budget provides \$10.5 million from various Prison Construction Bond Acts and \$40.9 million from the General Fund to fund vital repairs to infrastructure and program facilities that are needed to maintain the prison system's current crowding capacity and to fund a portion of the emergency bed program. Also, the Governor's Budget proposes \$145.9 million in lease revenue financing for the emergency bed program. Allocations are included for:

- ☐ Infrastructure rehabilitation and expansion projects.
- ☐ Mitigation of environmental discharge and contamination problems.

- ☐ Numerous projects to rehabilitate, replace and/or expand inmate programming and support services space.
- ☐ Numerous emergency bed projects at various institutions.

BOARD OF PRISON TERMS

The Board of Prison Terms is charged with the responsibility for considering the release on parole and establishing the length and conditions of parole for all persons sentenced to prison under the Indeterminate Sentence Law, persons sentenced to prison for a term of less than life under Penal Code Section 1168(b), and for persons serving a sentence for life with the possibility of parole.

Prior to 1993-94, the Board of Prison Terms was also responsible for conducting parole revocation hearings for determinately sentenced persons who have violated their conditions of parole. During 1993-94, pursuant to Chapter 695, Statutes of 1992 (SB 97), the parole revocation hearing process for persons sentenced under Determinate Sentence Law was transferred to the Department of Corrections. Chapter 53, Statutes of the First Extraordinary Session of 1994, returned the parole revocation hearings function to the Board. This budget reflects the transfer of \$5.7 million, General Fund and 62 personnel years to the Board.

The workload demands required of the Board members have increased significantly since 1993-94, resulting in the existing Commissioners absorbing workload equivalent to nearly one additional Commissioner.

DEPARTMENT OF THE YOUTH AUTHORITY

The 1995-96 Governor's Budget proposal for the Youth Authority reflects the Administration's commitment to public safety and to the development of innovative approaches to juvenile corrections. In addition to overall population increases, over the past ten years, there has been a significant change in the types of offenses leading to Youth Authority com-

mitment. In 1993, of all first admissions 59 percent were for violent offenses, compared to 37 percent of all first admissions in 1988. Conversely, the percentage of first admissions for property offenses, which has historically been approximately 45 percent of all first admissions, was at 27 percent in 1993. The statistics compiled thus far for calendar year 1994 indicate a continuation of this trend.

The 1995-96 Governor's Budget proposes a total of \$389 million and 5,164 personnel years for state operations and local assistance programs.

The Youth Authority operates 11 institutions, including 2 reception center/clinics and 6 conservation camps, 2 of which are institution-based camps. The total capacity of the Youth Authority is designed to house 6,692 wards. The Department projects that these facilities will house 9,361 youthful offenders as of June 30, 1995. The institution population is projected to grow to 9,851 by June 30, 1996, which is an increase of 766 wards, or 8.4 percent, over the level currently budgeted. The projected growth is driven primarily by increases in the youth at-risk population.

The Youth Authority supervises parolees through 17 offices located throughout the State. The Parole population is projected to be 6,106 by June 30, 1995, and to increase by 310 cases, or 5.1 percent, to 6,416 by June 30, 1996.

Illegal Immigrants. As the percentage of youthful illegal immigrants who commit crimes increases, the cost to the state to place these minors in the Youth Authority also increases. The cost to house one ward averages approximately \$32,500 per year. For 1994-95, the Department is estimated to expend approximately \$34 million for incarceration and parole supervision for this population and in the budget year, Youth Authority costs are estimated to be \$35.2 million, an increase of 3.5 percent.

Program Strategies. Consistent with past years, the Governor's Budget proposes to address the changing needs of the population through a balance of program strategies, new capacity and institutional

crowding. Continuing programs included in the Governor's Budget:

- ❑ Academic and vocational educational programs, including programs to identify, assess, and provide services to youthful offenders with special education needs. As a result of improved identification and assessment services, the percentage of wards identified as needing special education services is increasing. A study is currently being conducted to determine the frequency of special education needs in the Youth Authority population. The 1995-96 budget includes \$2.5 million and 56 personnel years for the provision of special education services to wards who have been identified as being in need of special education services, but who have not yet completed the placement process.
- ❑ Substance abuse treatment programs, including the operation of the Karl Holton School as an integrated drug and alcohol abuse treatment center, and secure and structured community drug abuse treatment programs.
- ❑ "Boot Camp" programs combining military-model institutional programs and intensive parole re-entry supervision.
- ❑ Aftercare services which increase public protection by providing early detection of problems and early intervention through parole violator services, intensive parole supervision, home restriction involving the use of electronic monitoring devices, and ongoing job counseling programs.

Infectious Disease Control. Current law requires that Youth Authority employees who have regular contact with wards, as well as all wards, be tested for tuberculosis prior to employment or at the time of commitment to the Youth Authority and not less than annually, thereafter. In addition, State and federal regulations require that Hepatitis B vaccines be made available and training related to the transmission of Hepatitis B be provided to Youth Authority employees who are at risk of exposure to Hepatitis. The Governor's Budget includes \$686,000 in 1995-96 for the control of infectious diseases.

Prison Construction. The Governor's Budget proposes \$2.0 million in Bond Funds for ongoing capital outlay at existing facilities. Included within these proposals are major capital outlay for:

- ❑ Fire Marshal modifications to bring facilities into conformance with current codes;
- ❑ Additional space for Free Venture ward employment and vocational education programs; and
- ❑ Security upgrades to institutional perimeter fencing and personal alarm systems.

In addition to the \$2.0 million for ongoing capital outlay, the budget proposes \$1.75 million in Bond Funds for a wide variety of minor capital outlay projects valued individually under \$250,000.

In addition to the development of new programs to address the treatment and public safety concerns of the constantly increasing and more violent youthful offender population, the Youth Authority is pursuing legislation authorizing \$181.4 million in lease-purchase financing arrangements for 1,950 additional institutional beds. The new bed construction consists of 950 beds at existing institutions, construction of a 600-bed satellite institution near an existing Youth Authority facility, the conversion of a surplus military facility to a 300-bed facility, and the conversion of a local facility to a 100-bed facility.

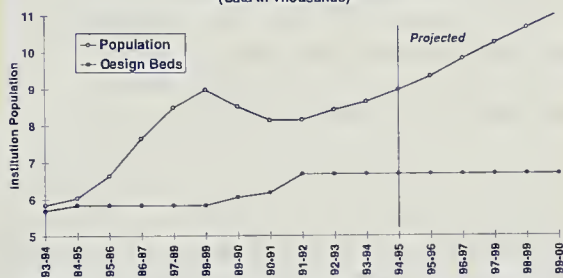
CALIFORNIA HIGHWAY PATROL

The Department of the California Highway Patrol (CHP) is the largest highway patrol in the United States and is recognized for its leadership on public safety issues. For 1995-96, the Governor's Budget proposes expenditures of \$751 million and 9,585 personnel years for the CHP, an increase of 10.4 percent and 8.8 percent, respectively, above the 1994-95 levels.

The mission of the CHP is to protect the lives and property of motorists and to ensure the safe and efficient flow of traffic on the state's highway system. The Department's major priorities are the enforcement of traffic speed laws, elimination of driving-under-the-influence of drugs and alcohol (DUI), the use of seat belts by motorists, providing for the safe and efficient regulation of commercial vehicles (primarily trucks, semi-trailers and buses), traffic congestion relief, vehicle theft reduction, safe transportation of hazardous materials, and stopping the flow of drugs through the state. More than 98,000 miles of California's highways, about two-thirds of all roads in the state, are within the CHP's jurisdiction.

Traffic Safety. The budget includes an augmentation of \$10.4 million from the Motor Vehicle Account to enable the CHP to fill 180 vacant traffic officer positions which will enable the CHP to deploy 6,080 traffic officers by the end of the 1995-96 fiscal year. This is the second year of a three year expansion plan to fill a total of 500 vacant traffic officer positions. The CHP budget also reflects one-time estimated savings of \$20 million and 321 personnel years in the 1994-95 fiscal year, and a one-time reduction of \$7 million and 140 personnel years in the 1995-96 year. Due to the fact that the CHP Academy was closed for a period of 18 months (from July 1992 through January 1994), no new traffic officers were produced to replace those which had left the force. As a consequence, the CHP's budget temporarily exceeds its ability to fill new traffic officer positions. These reductions provide the necessary adjustment to bring the CHP's expenditures into alignment with the department's plans. Included within the current year savings figure are anticipated savings in workers' compensation costs.

FIGURE PUB-E
DEPARTMENT OF THE YOUTH AUTHORITY POPULATION
PROJECTIONS AND INSTITUTION DESIGN CAPACITY
Including the Effect of Program and Population Capacity Proposals
on Design Capacity 1983-2000
(Data In Thousands)



NOTE: "Beds" represent the institutional design capacity of authorized institutions and camps as of June 30 for each fiscal year. Projected population reflects all approved "bed-saving" alternatives programs.

Automation of the Patrol Environment. As part of their Long Range Information Systems Plan, the CHP has been testing the use of "Mobile Digital Computers" in patrol vehicles as a means of communicating with area offices and in accessing Department of Motor Vehicles (DMV) and Department of Justice data banks. The implementation of mobile digital computers is based upon a seven year plan which began in 1993-94 on a very limited scale in Los Angeles, and was expanded in 1994-95 to other portions of the Southern Division, San Diego and Sacramento. The Governor's Budget proposes \$4.1 million, including \$2.4 million in federal grant funds from the Office of Traffic Safety, to expand the use of mobile digital computers to the Golden Gate Division.

Commercial Vehicle Enforcement. The Governor's Budget proposes an increase of \$5.1 million and 58.6 personnel years for the commercial vehicle enforcement program in 1995-96. This increased level of funding will allow the CHP to staff three new commercial vehicle inspection facilities expected to become operational during the 1995-96 fiscal year. The new facilities include a 24 hour facility at Chowchilla/Livingston on Highway 99, and two new border crossing inspection facilities at Otay Mesa and Calexico. This is critical to meet an expected increase in workload due to passage of NAFTA and GATT.

Vehicle Theft. To protect the public from economic losses resulting from this crime, and to enable the CHP to address the state's vehicle theft problem, the Governor's Budget proposes \$2.1 million and 18 personnel years to implement SB 1743 (Chapter 1247, Statutes of 1994). SB 1743 establishes the Commissioner of the Highway Patrol as the Statewide Vehicle Theft Investigation and Apprehension Coordinator, and redirects a portion of the \$1.00 fee insurers pay on each vehicle insurance policy from the Department of Insurance to the CHP to establish a toll free vehicle theft hotline, and to enhance staffing for vehicle theft investigations units around the state.

The Governor's Budget also proposes \$3.3 million and 45 personnel years to implement the salvaged

vehicles inspection program contained in SB 1833 (Chapter 1008, Statutes of 1994). This bill would require the CHP to inspect specified types of salvaged vehicles and accompanying paperwork to determine whether the parts used in the rebuilding of the vehicle are legitimate salvaged parts, not stolen ones. The CHP must then certify that the restored vehicle is legitimate before it can be registered by the DMV.

Telecommunications. The CHP's telecommunications system is one of the largest and most complex statewide systems in the United States, handling more than eight million calls each year. In recent years, expansion of roadside call boxes and mobile cellular phones has greatly expanded the demand placed on that system.

To maintain the effectiveness of the CHP telecommunications system, the Governor's Budget proposes an additional \$15.3 million and 50 personnel years for telecommunications equipment and services in 1995-96. This includes \$7.5 million for new and replacement equipment; \$500,000 for costs associated with engineering, installation and maintenance of the department's communications network; \$5 million for the first year of a two year changeout of the CHP's hand held portable radio equipment; and, 50 personnel years to staff dispatch centers.

Merger of the California State Police and the CHP. The Governor's Budget includes \$27.8 million and 413 personnel years to reflect a Governor's reorganization proposal that would merge the California State Police into the CHP. The transferred State Police positions would be organized into a Protective Services Program to continue to provide security services to state office facilities, state employees and other public officials.

DEPARTMENT OF JUSTICE

The constitutional Office of the Attorney General serves as the State's primary legal representative and chief law enforcement officer, and is responsible for ensuring that California's laws are uniformly enforced.

For 1995-96, the Governor's Budget proposes 4,205 personnel years and \$357.8 million for the Department of Justice (DOJ), which includes \$161.9 million for the Division of Law Enforcement and \$157.4 million for the Legal Services Programs, and reflects the Attorney General's priorities. The major budget adjustments proposed for 1995-96 include:

Sexual Predator Act of 1994. Chapter 6X, Statutes of 1994 (SB 12X) established the Thompson-Presley Violent Crime Information, Investigation, and Technology Act of 1994 to provide California law enforcement with data bases to assist in the identification, apprehension, and prosecution of violent sex offenders. The legislation also established three teams of special agents dedicated to the statewide surveillance and apprehension of repeat violent sex offenders. The Governor's Budget includes \$7,306,000 from the General Fund and 82 personnel years in 1995-96 to continue funding for activities related to the administration of this Act.

Spousal Abuser Prosecution Program. The Spousal Abuser Prosecution Program (SAPP), also known as the vertical prosecution program, was established pursuant to Chapter 140, Statutes of 1994 (AB 167) and Chapter 599, Statutes of 1994 (AB 801). The Budget Act of 1994 contains \$3,500,000 General Fund for DOJ to implement this program and the budget includes \$3,500,000 General Fund and 2 personnel years in the 1995-96 fiscal year to continue the commitment made to fund this program.

Statewide Integrated Narcotics System (SINS). An increase of \$1,277,000 from Reimbursements and 5 personnel years in 1994-95 and \$1,924,000 and 13 personnel years in 1995-96 to continue implementation and operation of the Statewide Integrated Narcotics System (SINS) project. The primary objective of SINS is to enhance interagency communications and cooperation, assist in the prosecution of drug cases, and to improve officer safety.

Correctional Law Section Workload. An increase of \$1,067,000 General Fund and 10 personnel years to address the workload increase in the Correctional Law Section (CLS). The CLS is respon-

sible for representing the People, state employees and client state agencies, including the Department of Corrections and California Youth Authority, in suits filed by prison inmates, CYA wards and parolees regarding conditions of confinement.

Proposition 187 Workload. An increase of \$629,000 General Fund and 9 personnel years in 1994-95 and \$890,000 and 13 personnel years in 1995-96 to address additional workload related to the passage of Proposition 187. DOJ indicates that among the requirements of the proposition, the California Attorney General is required to cooperate with the Immigration and Naturalization Service (INS), verify the legal status of persons arrested, as specified, and apart from the criminal proceedings, advise the person of the need to either obtain legal status or leave the United States. The additional workload will consist of defending the State against the numerous law suits brought against the proposition, disseminating forms to local law enforcement agencies to be completed and forwarded to the Department of Justice when criminal arrests are made of illegal aliens. The workload will also include the law suits brought by the State against the federal government to recover costs incurred by California as a result of federal requirements to provide educational, medical and social services to illegal aliens.

Firearms Dealer Inspections. An increase of \$300,000 from Special Funds and 3 personnel years in 1994-95 and \$598,000 and 6 personnel years in 1995-96 to implement the requirements of Chapter 716, Statutes of 1994 (SB 1308). Among other requirements, this legislation requires the department to inspect firearms dealers' places of business to ensure compliance with firearms licensing provisions.

Sex Offender Registration Program. An increase of \$250,000 General Fund and 4 personnel years to implement the requirements of Chapter 865, Statutes of 1994 (AB 3513). The Sex Offender Registration System is a database that contains the physical description, address, and criminal history information for individuals who are required by law to register as sex offenders for life. Local agencies ac-

cess the system to develop leads in investigations of sexual assault and kidnapping cases. This legislation expands existing sex offender registration requirements, including expanding the list of sex offenses which, if convicted of, requires those felons to register. This augmentation is necessary to address the additional workload associated with operating an expanded system and conducting annual updates to ensure accurate information is maintained in the system.

Domestic Violence Restraining Order System.

An increase of \$111,000 from Special Funds to implement the provisions of Chapter 872, Statutes of 1994, (AB 3034). Under previous law, law enforcement agencies were required to enter domestic violence restraining orders into the Domestic Violence Restraining Order System (DVROS) upon receipt of a copy of the order and proof that the order had been served. However, since law enforcement agencies are not required to enter these orders into DVROS until the order has been served, an individual who has been issued a restraining order, but has not been served will not appear in the DVROS and may purchase a firearm, threatening the safety of both the domestic partner and law enforcement officers. This new legislation requires each county to develop procedures for immediately notifying DOJ upon issuance of a protective order, of the contents of the order and other specified information.

California Environmental Protection Agency

Established by Governor Wilson in 1991, the California Environmental Protection Agency (Cal-EPA) is responsible for safeguarding the environment with environmental regulation that is understandable, enforceable, and uniform. As a result of Cal-EPA's efforts, improvements are occurring.

The past year will stand out as a milestone in California's long history of water use. Various estuaries and water bodies are seeing tangible improvement, including Santa Monica and San Francisco Bays. Through innovative work between the State, the City of Los Angeles and environmental leaders, Mono Lake has been saved and will be restored in the next generation. Water reclamation, which helped create the Mono Lake settlement, is being expanded at a record pace. The federal and state governments came together in mid-December 1994 on an action plan for restoring the Bay-Delta—a major step toward ending California's "water war".

Progress continues in meeting solid waste goals of a 25 percent reduction by 1995 and a 50 percent reduction by the year 2000. Old and less tested pesticides are being removed from use, with assurance that those that make it through the assessment processes are safe.

California's environmental technology sector is setting the international pace. Utilities and leading companies are committing to voluntary energy-efficient lighting targets in the "Green Lights" program begun by Governor Wilson. In the regulatory process, steps are being taken to maintain and better achieve standards while making the process simpler, decisive, faster, and accountable.

Cal-EPA's key goals during 1995-96 will be to continue the following:

- ☐ Set strict, science-based standards;
- ☐ Achieve a rapid, decisive, accountable and enforceable permitting process through reform;

- ☐ Pursue vigorous enforcement, assuring a level playing field among competitors;

- ☐ Create pollution prevention incentives that move away from end-of-the-pipe solu-

tions, based on private sector ingenuity rather than government directives; and

- ☐ Implement market incentives and trading mechanisms which provide flexibility for companies seeking compliance.

An aggressive agenda to improve environmental protection by reforming processes for the regulated industry and making government more efficient is proposed. Major initiatives include:

Office of Environmental Technology. In 1993, Cal-EPA initiated the California Environmental Technology Partnership to promote research, development, commercialization, and export of California's \$20 billion environmental technology industry. A cornerstone of this effort has been establishment of the most advanced environmental technology and equipment certification program in the nation. This certification offers a one-time evaluation that can be accepted by other regulatory agencies and offers increased certainty and predictability regarding permitting. In 1995, Cal-EPA will establish an Office of Environmental Technology to implement an environmental technology certification program.

California Environmental Technology Center. In August 1994, the California Environmental Technology Center was officially established by Governor Wilson. The Center is a public-private partnership between Cal-EPA and the Scripps Institution of Oceanography at the University of California, San Diego. Its mission is to promote the development of both new environmental technologies and economic markets for the environmental industry which has taken root in the State. In response to requests from California businesses for greater access to new technologies being developed in laboratories, the program will foster the transfer of laboratory tech-

nologies to businesses that can use them to mitigate harmful environmental problems and to promote expanding trade in the technologies. The Center will accelerate the development and commercialization of environmental technologies through cooperative efforts with industry, national laboratories, federal and state agencies, universities, private research institutions, and the environmental community.

Permitting. Significant progress has been made to reform California's overly cumbersome permitting process by: establishing a consolidated environmental permit; setting firm time limits for decisions on environmental permits; replacing individual permits with general registration processes; expanding the Office of Permit Assistance under the Trade and Commerce Agency; and removing overlap between regulatory requirements for hazardous waste, hazardous materials, solid waste, and water quality.

During 1995-96, Cal-EPA will:

- ☐ Establish a pilot program for a permit relief zone. Consolidating all existing individual permits into a single action will reduce the delays and conflicts now created by the multiple agency decisions required for siting facilities in California. Implementing a recommendation of the California Competitiveness Council, this pilot will also demonstrate the feasibility of replacing up-front permit approvals with a compliance audit program. This approach will speed regulatory decisions, reduce permitting costs and ensure more effective environmental protection.
- ☐ Propose to permanently establish One-Stop Permit Assistance Centers. Cal-EPA has opened eight Permit Assistance Centers to maintain environmental quality while assisting individuals and businesses with their permitting needs. Additional centers and approaches toward greater accessibility for all centers will be implemented in the next year. The Administration will continue to assess permitting assistance efforts in all state agencies in order to assure increasing efficiency in services.

Recycling Reorganization. California's recycling programs continue to be unnecessarily divided between the Department of Conservation and the Integrated Waste Management Board. Duplication in effort, burdensome local mandates, and top-heavy administrative structures result in too many public dollars for bureaucracy rather than meeting our reduction and recycling goals. These programs will be consolidated into a new Integrated Waste Management program in Cal-EPA. Needed program reforms to reduce the costs to the State, local governments, industry, and the public will occur.

Environmental Auditing. One of the most effective ways to protect our environment is to encourage business to voluntarily identify and correct problems and potential problems that could lead to pollution. One obstacle to self-appraisal by business is the concern that information generated through a self-audit will become the basis of enforcement actions by state or local agencies. The Administration will submit legislation to clarify this legal situation, encouraging audits which will hasten compliance and cleanup.

Cal-EPA encompasses the organizations described below.

AIR RESOURCES BOARD

The Air Resources Board (ARB) conducts research, monitors California's air quality, and sets policies for controlling emissions from motor vehicles and stationary sources of pollution such as factories. The ARB and local air district programs and policies are designed to lower pollution levels to meet air quality standards and provide a healthy environment for California's residents. In 1995-96, \$0.8 million has been added to the Budget to enhance motor vehicle enforcement activities and to implement and manage the ongoing audits of heavy-duty fleets. The Budget has been reduced by \$0.4 million in the Air Toxics Hot Spots Inventory and Assessment program to reflect a winding down of the program.

INTEGRATED WASTE MANAGEMENT BOARD

The Integrated Waste Management Board conducts monitoring, research, planning and education programs to address the State's solid waste management needs. The Board's programs and policies are designed to address California's solid waste disposal dilemma and lessen the demand upon the State's diminishing natural resources. Highlights for 1995-96 include the expansion of the Recycling Market Development Zone Program. This program helps to promote the establishment of recycling businesses through low-interest loans, providing \$13.9 million in loans to 39 businesses since 1993. This effort is being expanded by \$1.9 million in 1995-96. In addition, the Beverage Container Recycling and Litter Reduction function is proposed to be transferred from the Department of Conservation to the Integrated Waste Management Board, effective January 1, 1996. This transfer will consolidate recycling activities, in an effort to increase administrative efficiency and program effectiveness. Also, it is proposed, effective January 1, 1996, that the Board be reduced from six full-time members to one full-time chairperson and four part-time members. This streamlining of the Board, will save over \$700,000 annually.

DEPARTMENT OF PESTICIDE REGULATION

The Department of Pesticide Regulation is the primary agency charged with evaluating and mitigating the environmental and public health impact of pesticides as well as enforcing state and federal laws governing the use of pesticides in California. Pesticide enforcement activities are carried out at the local level by the County Agricultural Commissioners acting under the oversight of the Department. The Department licenses or certifies more than 25,000 entities engaged in pest control activities, issues roughly 50,000 restricted use permits annually, and oversees the safe use of some 9,700 registered products.

STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board has primary responsibility for maintaining water quality in the State. The Board accomplishes this through planning, research and monitoring programs as well as regulatory oversight for the State's surface, ground and coastal waters. The Board also issues permits for water rights specifying amounts, conditions and timetables for diversion and storage. In 1995-96, the Board plans to perform some 3,400 compliance inspections of permitted facilities, and issue or update 1,200 permits. The Board also plans to issue 60 water rights permits and adopt 7 major water rights orders.

Highlights for 1995-96 include the addition of \$5 million of special fund moneys to replace declining bond funds in order to continue the Board's water quality planning activities, which serve as the foundation for the Board's permitting and enforcement regulatory operations. Also included is the addition of \$10 million for the Underground Storage Tank (UST) Cleanup Program, which reflects the enactment of legislation that increases the mill tax (on petroleum and petroleum products stored in USTs) to accelerate reimbursements to UST owners who submit claims for cleanup costs. The Board is also providing \$3.7 million for continued assistance to the City of Los Angeles for reclaimed waste water distribution projects, enabling Los Angeles to replace Mono Lake water.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control (DTSC) is responsible for overseeing the cleanup of hazardous waste sites and for monitoring and regulating hazardous waste transportation, treatment, storage and disposal in California. The Department's programs cover site mitigation, hazardous waste management, pollution prevention, waste minimization and technology development.

Highlights for 1995-96 include the addition of \$3.0 million and 13 positions to fund illegal drug lab

cleanup and removal responsibilities that were transferred from the Department of Justice and local government to DTSC, pursuant to Chapter 55, Statutes of 1994. Also included is \$925,000 to establish a pilot project to expedite the cleanup of up to 30 contaminated hazardous waste sites. The Hazardous Waste Control Account, which is a major source of support for the Department, is experiencing a significant decline in revenue, due to a number of factors including statutorily reduced fees and a reduction in the number of waste disposers who pay fees. As a result, expenditures and staffing are proposed to be reduced by \$8.5 million and 128 positions in 1995-96. While these reductions will affect certain activities, it is anticipated that the key program objectives of the department can continue to be met, without undue impairment, by focusing on priority workload.

OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

The Office of Environmental Health Hazard Assessment (OEHHA) has the scientific, technical and public health role of assessing the health effects of chemicals in the environment. This office provides the other Cal-EPA operations with scientific tools, information and advice upon which to base risk management decisions. The Office is also the lead agency for the implementation of the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65). Chapter 143, Statutes of 1994, transferred responsibility for the Hazardous Substances Cleanup Panel program from Cal-EPA to OEHHA on January 1, 1995. This panel renders final, binding decisions on the allocation of the costs of cleaning up hazardous waste sites named on the California Superfund List. The activities of the Panel were expanded by Chapter 435, Statutes of 1994, which created a pilot program to provide alternative methods for voluntary remedial action at Superfund waste sites. Costs of \$205,000 for this expanded program will be reimbursed by those parties who volunteer to participate.

THE RESOURCES AGENCY

The Resources Agency has administrative responsibility for 16

State departments, boards, commissions, and conservancies. The Agency is responsible for the State's programs relating to the conservation, management and enhancement of California's natural and cultural resources, including land, wildlife, water, timber, and minerals.

In 1991, Governor Wilson launched an ambitious multi-part program for a new era of stewardship of California's rich variety of natural resources. This program - "Resourceful California" - spans the broad range of the jurisdiction of the Resources Agency and serves as its ongoing agenda for resource conservation and management. Resourceful California provides for innovative and effective policies that fully and responsibly conserve the State's diverse resources; encourage sustainable, long-term economic development; and promote partnerships between the public, private, and nonprofit sectors.

Solid accomplishments, some of which have received national attention, include:

- ❑ Natural Communities Conservation Planning (NCCP), which puts local governments in the lead on habitat planning as a alternative to the rigid application of the Federal and State Endangered Species Acts;
- ❑ The first Water Policy Framework for California in over 25 years, and an interim water quality standards agreement for the San Francisco Bay - San Joaquin Delta that sets the stage for a permanent solution to the Bay-Delta problem;
- ❑ Reforms, both administrative and legislative, to the California Environmental Quality Act (CEQA);
- ❑ Initiation of the State's first comprehensive wetlands policy, including the largest wetlands acquisition ever at Napa Marsh.

Natural Resources

The Resources Agency's key goals for 1995-96 build upon the achievements of the past four years in the areas of water and wetlands policy implementation, forestry reform, and other components of Resourceful California. In addition to the reorganization proposals discussed below, bold new initiatives include the following:

- ❑ Endangered Species Act (ESA) reform, emphasizing multiple species planning over single species, 11th-hour approaches; making the ESA accountable and reflective of economic needs with processes for meaningful public participation and peer reviewed science;
- ❑ CEQA reforms that will allow California to reassert itself economically, while preserving our high standards for environmental quality;

In the 1995-96 Governor's Budget, the Administration is proposing major reorganizations within the Resources Agency to consolidate like functions, reduce costs, and improve service. As part of the proposal, four organizations will be abolished, a new department established, and three others expanded to include functions from the abolished organizations. The four organizations to be abolished are: the Energy Resources, Conservation and Development Commission; the Department of Conservation; the State Lands Commission; and the San Francisco Bay Conservation and Development Commission. A new Department of Energy and Conservation is to be established. The three organizations into which like functions will be integrated are: the Department of Fish and Game, the California Coastal Commission, and the Integrated Waste Management Board. The reorganizations will be proposed under a Governor's Reorganization Plan or special legislation.

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation is responsible for acquiring, preserving, developing, and managing the natural, cultural, and recreational resources in the State Park System, the State Vehicular Area,

and the State Trail System. The State Park System consists of 268 individual units, including 38 units administered by local and regional park agencies. These park units contain approximately 1.3 million acres, 285 miles of ocean, and 811 miles of lake, reservoir and river frontage. Approximately 65 million visitor-days are expected in 1995-96.

The 1995-96 Governor's Budget proposes an expenditure level of \$206.8 million, which includes \$179.5 million and 2,799 personnel years for support of state operations, \$14.6 million for local assistance grants, and \$12.7 million in capital outlay projects.

In recent years, General Fund support for the Department has decreased by approximately fifty percent. Even though park fee revenue has increased to fill most of that gap, the loss of General Fund support has severely challenged the Department's ability to keep all parks open. To meet this challenge over the last few years, surplus monies from funds within the Resources Agency have been used to temporarily maintain the Department's budget at a level that would prevent park closures. For 1995-96, \$19.4 million of surplus funds in the Beverage Container Recycling and Litter Reduction Fund will be used for this purpose. That fund has a reserve of approximately \$100 million and no adverse programmatic effect will occur to the recycling program because of the use of \$19.4 million to sustain the parks system. In the meantime, to avoid continued use of interim funding solutions such as this one, the Department is conducting a thorough analysis of its financial support structure and the level and type of park system which can be maintained on an ongoing basis within that support system.

As one of the departments in the Performance-Based Pilot Project, the Department negotiated a performance-based budget agreement with the Legislature for the 1994-95 fiscal year. The performance agreement is contained in a Memorandum of Understanding (MOU) that identifies performance measures, specific relief from control agencies, and a specified level of budgetary support. The Department has conducted meetings with staff from the Department of Finance and legislative committees

to discuss the format, process, and content of the 1995-96 MOU. It is anticipated that over the next few years the Department's entire budget will be represented in terms of measures and outcomes.

DEPARTMENT OF FISH AND GAME

The objective of the Department of Fish and Game (DFG) is to maintain all species of fish and wildlife for their natural and ecological values, their varied recreational uses, and their economic values. The Department manages more than 500,000 acres of wildlife habitat, including 80 wildlife areas and 67 ecological reserves. The 1995-96 Governor's Budget proposes \$166 million and 2008.1 personnel years for the Department's state operations and local assistance programs.

Creation of a Comprehensive Model Wetlands Program. In August 1993, Governor Wilson announced the State Wetlands Conservation Policy. The primary objectives are to realize a gain of wetland acreage in the long term, with no net loss in the short term; reduce the regulatory complexity surrounding wetland issues; and promote cooperative partnerships to encourage wetlands protection.

Since establishment of the policy, the Resources Agency has:

- ❑ Acquired over 10,000 acres of wetlands in the northern San Francisco Bay and 3,500 acres in the Yolo Basin Wildlife Area, a multi-use project incorporating wetlands protection, flood control, wildlife and agriculture;
- ❑ Begun the Sonoma Baylands Restoration Project which is restoring a wetland to its natural tidal regime while allowing the disposal of dredge deposits from the port of Oakland;
- ❑ Restored Batiquitos Lagoon to its natural tidal habitat;
- ❑ Begun developing a computerized State Wetlands Information Clearinghouse using the State's CERES computer network. This Wetlands Information Clearinghouse will house information on

wetland resources, agencies responsible for wetland-related activities, restoration and mitigation information, and the steps necessary to obtain a wetland permit.

Funding proposed for wetland activities in 1995-96 includes:

- ❑ \$0.6 million for the operation and maintenance of the Yolo Basin Wildlife Area (DFG);
- ❑ \$1.5 million for the operation and maintenance of Central Valley waterfowl habitat (DFG);
- ❑ \$1.0 million for wetland programs identified in the Central Valley Habitat Joint Venture under the Wildlife Conservation Board's Inland Wetland program;
- ❑ \$60,000 to provide staff for the Riparian Joint Venture (DFG).

Additional wetland efforts are funded with federal and private dollars.

Protecting Rivers and Riparian Habitat. In 1991, the Riparian Habitat Conservation program was started in the Wildlife Conservation Board (WCB). In 1993, the program began a statewide inventory of riparian resources as the first step. Under the program, the Board has begun protecting important riparian resources in the Santa Margarita and Cosumnes River watersheds.

In October 1994, the Governor signed a bill authorizing the acquisition of land for open space conservation, habitat protection, and riparian restoration in the vicinity of the Stanislaus, Tuolumne, Merced, and San Joaquin Rivers. The Governor also signed a bill authorizing a study to determine if the Mill and Deer Creeks in Tehama County, valuable natural spawning habitat for winter-run Chinook Salmon, should be added to the California Wild and Scenic Rivers System.

Program Realignment. As part of the Resources Agency realignment, the Marine Facilities Management program currently in the State Lands Com-

mission will be transferred to the Department of Fish and Game. The Department's budget for 1995-96 includes half-year funding of \$2.4 million and 34 personnel years transferred from the State Lands Commission.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

The Department of Forestry and Fire Protection provides fire protection and suppression for approximately 36 million acres of publicly and privately owned wildlands, and administers local government fire protection under contract. The Department regulates logging practices on private forestland, provides advisory assistance on forest management to landowners, administers urban forestry grants, regulates controlled burning of brush lands, and manages eight State demonstration forests and two State nurseries.

Reform of State Forestry Practices. In 1991, the Administration outlined a comprehensive strategy for the management of California's forest resources based on sustainable forestry. Centered around ecosystem management, the approach limits clear-cutting; protects forest habitats, riparian areas, and the diversity of the species that inhabit them; protects sensitive watersheds, fisheries and wildlife; and assists forest-dependent communities that have suffered job loss and that require new sources of economic development.

In 1993, the Board of Forestry readopted the sensitive watershed and late successional forest stand rules with an effective date of March 1994. In October, the Board approved the rules on silviculture and sustained yield.

Among the regulatory changes contained in the comprehensive strategy are:

- ❑ Maximum clear cuts of 20-40 acres, compared to the prior limits of 80-120 acres;
- ❑ Clear cuts to be separated by non-harvested parcels of the same size or no less than 300 feet;

- ❑ Minimum cutting rotation length for even-aged forest stands of 50-80 years;
- ❑ Sensitive watershed review and designation process for those situations in which current rules are insufficient to protect specified values;
- ❑ Protection of wildlife species associated with late successional forest stands by specifying the analytical approach for gathering information, identifying impacts, and developing of mitigation; and
- ❑ Notification of domestic water purveyors before timber harvesting plans are approved.

Fire Suppression. During the 1994 fire season, the Department fought 7,603 wildfires, 500 fires above the five-year average. These fires burned 143,470 acres, almost 25,000 acres more than the five-year average. For the 1994-95 fiscal year, emergency fire suppression costs are estimated at \$57 million. For 1995-96, the Governor's Budget includes \$0.4 million for four intergovernmental land use coordinators to assist with fire safe land use decisions and planning with the objective of reducing the fire threat in increasingly populated urban-rural boundary areas.

Air Fleet. The Department will lease and test the Canadair CL-215 firefighting airtanker, the so-called "Super Scooper," during the 1995-96 fire season. The budget proposes \$10 million to retrofit four of the aging fleet of S-2 airtankers with turbine engines. It also includes \$1.3 million to continue the replacement of four O-2 air attack aircraft with military surplus OV-10's. These are faster for the initial response and are equipped with Forward Looking Infrared (FLIR) to enhance the ability to direct fire suppression operations from the air. Also in the budget year, the amount proposed for emergency fire suppression is increased from \$20 million to \$40 million to reflect the Department's experience with these costs in recent years.

The budget proposes \$417 million and 4,470 personnel years for the Department's state operations and local assistance programs.

The budget also provides \$30.7 million for capital outlay. Funding will provide for the repair or replacement of various firefighting facilities.

The Administration will seek the consolidation of fire services in order to assure the efficient and effective protection of the public. The organizational units involved will be the Department of Forestry and Fire Protection's fire operations unit and the State Fire Marshal's Office.

DEPARTMENT OF WATER RESOURCES

The Department of Water Resources protects, conserves, develops, and manages California's water for many uses, including agriculture, industry, municipal use, and fish and wildlife. The Department operates the State Water Project (SWP), which consists of 27 dams and reservoirs, 26 power and pumping plants, and over 700 miles of aqueduct. The Department also manages the State Water Bank, purchasing water from districts or agencies with surplus water in storage and from farmers or districts that can replace their surface supply by pumping groundwater.

The Department has been extensively involved in all aspects of the Governor's water policy. The Director is a member of the Water Policy Council. As such, the Department played a role in the historic state-federal agreement on water quality standards and the application of the Endangered Species Act in the Bay-Delta estuary. The agreement creates a balance between the economy and the environment. It caps the amount of water diverted to the environment and provides for shared authority on Endangered Species Act decisions among state and federal agencies. Water certainty will be provided using the first application of an ecosystem approach to an aquatic environment. The U.S. Environmental Protection Agency will withdraw its Bay-Delta standards and allow implementation of standards in accordance with State water rights law.

The Department is involved in final design of the South Delta Facilities project, consisting of tide gate structures, an intake structure, channel dredging levees, temporary rock barriers, and appurtenant

structures. The facilities will reduce disruption to delta fish and wildlife and improve the quality of water, thus reducing treatment costs.

The Department is completing construction of the SWP's coastal branch, with a scheduled operational date of July 1996. The project includes a 102-mile buried pipeline, four pumping plants, a power recovery plant, and four water storage tanks. The aqueduct will transport SWP water to San Luis Obispo and Santa Barbara Counties. Several distribution facilities are concurrently being constructed by local water purveyors to convey SWP water to service areas within the counties.

The Budget proposes \$9 million for the second year of a four-year project by the City of Los Angeles to replace diversions from Mono Lake and restore historical water levels in the lake. The budget also proposes \$1 million to begin implementation of the San Joaquin Valley Drainage Relief program. This program will purchase agricultural land in drainage problem areas from willing sellers, retire it from agricultural use to alleviate drainage problems, market the water and use the proceeds to continue land purchases. The retired land will be used to restore wetlands in the San Joaquin Valley. Finally, the budget proposes eight positions and \$750,000 for the Dam Safety program to provide adequate oversight of several new dams being constructed, including Domenigoni and Seven Oaks in Southern California, and Los Vaqueros in Contra Costa County. This construction will create a significant number of jobs for California's work force.

DEPARTMENT OF ENERGY AND CONSERVATION

For nearly two decades, California has been recognized as having the most innovative energy policies in the nation. The programs associated with these policies have led to significant economic development for our State. In an effort to continue this record of leadership, the budget proposes a reorganization of state energy functions that includes a consolidation of the programs at the California Energy Commission (CEC) with related energy and

resource conservation and development programs at other state agencies into a new Department of Energy and Conservation. This proposal is designed to reduce the size of government and conform regulatory practices to the market realities of the 1990s and beyond. Efficiencies from the reorganization are expected to come through elimination of duplicative functions between agencies and changes in streamlined regulatory practices. Changes include:

- ❑ Eliminating the role of Commissioners at the CEC and transferring the Agency's programs to a new Department of Energy and Conservation within the Resources Agency.
- ❑ Consolidating and transferring the oil, gas, and geothermal programs of the Department of Conservation and the State Lands Commission to the new department.

The redesigned responsibilities of the new department are critically important to ensure that government regulation keeps a reasonable and rational pace with the progress marked by the emerging role of competition in California's energy future.

STATE LANDS COMMISSION

The State Lands Commission administers policies established for the management and protection of all statutory lands which the State has received from the federal government upon its entry into the Union.

The federal government has proposed to close 25 military bases in California. Some of these bases contain current and former tide and submerged lands which require title resolution prior to development. The 1995-96 budget proposes a \$300,000 General Fund augmentation for title analysis and resolution work. This work will be done by the Commission and its successor agency, the Department of Energy and Conservation.

Program Realignment. The 1995-96 Governor's Budget proposes that the Commission be eliminated, effective January 1, 1996, and that its Mineral Re-

sources Management and Land Management programs be transferred to a newly formed Department of Energy and Conservation. This new Department is part of a larger reorganization involving the Energy Commission and the Department of Conservation. At the same time, the Marine Facilities Management program will be consolidated with the Office of Oil Spill Prevention and Response in the Department of Fish and Game. In addition, an alternative process for resolving public trust and land use decisions currently decided by the Commission will be delineated in the proposal to implement this reorganization.

ENERGY COMMISSION

The Energy Resources Development and Conservation Commission is charged with encouraging a reliable and affordable energy supply, while supporting policies which also address the need to protect the environment and maintain the health, safety, and general welfare of California's citizens. The Commission processes applications for siting new power facilities, and encourages measures to reduce wasteful and inefficient use of energy, as well as alternative ways to conserve, generate, and supply energy.

The Governor's Budget for 1995-96 proposes \$71.1 million and 467 personnel years for support of the Commission's programs. This includes over \$12 million from the Katz Schoolbus Fund to complete phase two and begin the third and final phase of the school bus replacement program which began in 1988. The objective is to replace older (pre-1977) public school buses with more efficient, safer, less polluting buses which use advanced diesel technology and alternative fuels. These buses will then be evaluated on their operating and maintenance cost characteristics, and the evaluation will be used to facilitate the manufacture and purchase of those types of buses on a statewide basis.

Program Realignment. As part of the Resources Agency realignment, the Energy Commission will be abolished, its power plant siting activities assumed by a new Powerplant Siting Board, and its remaining

activities transferred to a new Department of Energy and Conservation.

DEPARTMENT OF CONSERVATION

The Department of Conservation protects California's earth resources through the promotion of conservation practices and wise use of the State's land, energy, and minerals. The budget for 1995-96 proposes \$371.6 million and 614 personnel years for the support of the Department's programs.

Beverage Container Recycling Program. The objectives of this program are to ensure: (1) each beverage container type included in the recycling program reaches an 80 percent recycling goal, (2) litter is reduced statewide, and (3) recycling opportunities maximize convenience, to the extent possible. The budget proposes \$344.5 million and 194 personnel years in support of the Beverage Container Recycling and Litter Reduction program.

While the Recycling program has significantly decreased the flow of beverage containers to landfills, recycling rates are not reaching the levels thought to be attainable. The Beverage Container Recycling and Litter Reduction Fund has a surplus of \$100 million because recycling rates have not met expectations. In response to this situation, the Administration will be evaluating alternatives to the current program structure and introducing whatever legislation may be necessary to improve the current program's effectiveness.

Surface Mining and Reclamation. The objective of this program is to prevent or minimize any adverse environmental effects as a result of surface mining. The program also ensures that mined lands are properly reclaimed, the production and conservation of minerals are encouraged, and residual hazards to public health and safety are eliminated.

Program Realignment. As part of the Resources Agency realignment, the Department of Conservation will be abolished, with its recycling activities transferred to a newly constituted California Integrated Waste Management Board, and its remaining

activities transferred to the new Department of Energy and Conservation.

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

The objective of the San Francisco Bay Conservation and Development Commission (BCDC) is to protect the San Francisco Bay and its shoreline. With a shoreline of 1,000 miles and a surface area of 400 square miles, the Bay is an important resource for the State and for nine counties contiguous to the Bay. These nine counties have a combined population of approximately 6.4 million, 20 percent of the total state population.

For 1995-96, the budget proposes \$2.4 million and 26.8 personnel years to continue the current activities of the Commission.

Program Realignment. As part of the Resources Agency realignment, it is proposed that the functions of BCDC be folded into similar, existing functions of the San Francisco Regional Water Resources Control Board and the California Coastal Commission. The objective of this realignment is to achieve greater efficiency of organizational structure without compromising the public safeguard functions of BCDC. The Administration will work with the appointing powers of the Commission to reach consensus on this objective.

CALIFORNIA COASTAL COMMISSION

The California Coastal Commission implements the State's coastal management program and the Federal Coastal Zone Management Act. The Commission regulates development in the coastal zone of the State.

In 1992, the Governor increased the authority of the Commission by signing legislation granting the Commission authority to issue cease-and-desist orders. In 1993, legislation was enacted which deters violations of the California Coastal Act and illegal development along California's coast. The new law clarifies the ability of the Coastal Commission to issue and enforce cease-and-desist orders, enforce

restoration orders, and seek fines for violations of these orders and of the California Coastal Act.

The 1995-96 Governor's Budget proposes \$10.3 million and 125 personnel years for the Commission's state operations program.

Program Realignment. As part of the Resources Agency realignment, Bay access and other non-water quality activities of the San Francisco Bay Conservation and Development Commission are proposed to be transferred to the Coastal Commission. The Coastal Commission's 1995-96 budget includes half-year funding of \$1 million and 11.6 personnel years being transferred from the San Francisco Bay Conservation and Development Commission.

THE CALIFORNIA CONSERVATION CORPS

The California Conservation Corps (CCC) carries out a dual mission: the conservation and development of the State's natural resources, and the employment and development of young men and women. By bringing California's youth and the environment together, the CCC provides substantial benefits to both.

The CCC provides nearly three million hours of natural resource work and disaster assistance each year. Corpsmembers--1,800 are budgeted for 1995-96--work for local, state, and federal agencies, in cities and rural areas. Typical projects include landscaping and construction work, trail building, wildlife habitat rehabilitation, stream and creek clearance, erosion control efforts, retrofitting work for energy savings, and historic renovation. The CCC serves as one of California's emergency response forces, providing assistance in earthquake recovery, firefighting, flood control, oil spill cleanup, and snow removal.

During the course of their year in the CCC, corpsmembers prepare for the work force by developing job skills and strengthening academic skills. Corpsmembers take classes ranging from GED in-

struction to community college courses; centers also have computer labs to boost computer literacy.

The 1995-96 budget proposes \$57 million for the CCC operations. The CCC's, designated as a performance-based budget department, continues to seek and obtain both special funding as well as additional project reimbursement funds for high quality conservation work.

For seventeen years, the CCC has demonstrated the potential of our youth to be willing, capable, and valuable contributors to meeting the State's needs. Building on this track record of success, Governor Wilson has committed to increase the size of the CCC fifty percent by the year 2,000. As the first step in fulfillment of this commitment, the budget includes \$2.1 million from the Petroleum Violation Escrow Account with which the CCC will expand by 90 corpsmembers its Southern California Energy, Water and Housing Center located in Compton. This increase is part of a multi-year expansion that will include youth diversion programs operated together with the California Youth Authority.

STATE CONSERVANCIES

The California State Coastal Conservancy assists in the preservation of sensitive or unique coastal property and public access. The Conservancy also assists in resolving coastal land use disputes and provides grants for various coastal activities. Using \$400,000 of Environmental License Plate Funds, the budget includes construction of a flow through seawater system for the Chula Vista Nature Center that will allow the Center to add several new filter-feeding species and reduce costs from trucking in seawater for its aquaria.

The Tahoe Conservancy acquires, preserves, and manages lands in the Lake Tahoe region to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas. The Conservancy is the principal agency for implementation of the Lake Tahoe Acquisitions Bond Act. The budget reflects the continued decline of available bond funding and the decline of available capital outlay funding from prior years.

The Santa Monica Mountain Conservancy has conservancy responsibilities for the Santa Monica Mountains Zone, the Rim of the Valley Trail Corridor and the Santa Clara Woodlands. The Budget reflects the statutory end of the annual \$10 million appropriation of California Wildlife Protection Act funding that the Conservancy received for five prior years.

DEPARTMENT OF BOATING AND WATERWAYS

The objectives and responsibilities of the Department of Boating and Waterways are the development and improvement of boating facilities throughout the State, and promoting the safety of persons and property connected with the operation of vessels. The Department administers a local assistance program to develop boating facilities and programs for boating safety, education, law enforcement, beach erosion control, water hyacinth control, the construction of boating facilities in the State Park System and State Water Project reservoirs, and the licensing of yacht and ship brokers and for-hire vessel operators. To meet these needs, the 1995-96 Governor's Budget proposes \$41.5 million in expenditures.

With these funds, the Governor's Budget provides \$8 million for small craft harbor loans to public agencies to make access and shoreline improvements, construct new berths, and repair existing facilities; \$3.8 million for grants to construct new, and improve existing, boat launching facilities on lakes and rivers; \$8 million for loans for private marina development and improvements; \$4.5 million primarily to construct new, and improve existing, boating facilities at five State parks; \$3.7 million to enhance beaches and \$3.8 million in aid to local agencies for boating law enforcement.

TAHOE REGIONAL PLANNING AGENCY

The Agency, established under a bi-state compact with Nevada, coordinates planning and regulation to preserve and enhance the Lake Tahoe basin environment. The budget includes \$150,000 of Environmental License Plate Funds (ELPF) to conduct the second five-year regional plan evaluation and an additional \$67,000 ELPF for Lake Tahoe Water quality monitoring.

Trade and Commerce Agency

The Trade and Commerce Agency was created in 1992 to focus the state's efforts on economic development and job creation in an increasingly competitive business environment. The Trade and Commerce Agency (TCA) serves as the primary agency for promoting business development and job retention efforts in the state including assisting in-state expansion of existing companies while nurturing the growth of emerging industries, technologies, and small businesses. The Agency develops and oversees international trade policy and marketing through the Agency's foreign trade, export, and investment functions.

Additional efforts by the Agency to improve the state's economy include working closely with domestic and international businesses, economic development corporations, chambers of commerce, regional visitor and convention bureaus, and the various permit-issuing state and municipal government agencies. The Offices of Permit Assistance, Strategic Technology, California-Mexico Affairs, Business Development, Tourism, Marketing and Communications, and the California Film Office are also within the Agency. All of these efforts are necessary in order to further the Agency's mission with the recognition that California, with one of the largest economies of the world, must continue to stay competitive and aggressively pursue economic development on both domestic and international fronts.

The Governor's Budget for 1995-96 proposes total expenditures of \$72 million and 342.4 positions. Major budget adjustments include:

Expand International Program. An augmentation of \$5.8 million and 62 positions to increase and improve the state's competitive position in international trade, investment, and tourism including:

- An augmentation of \$2 million and 21 positions to expand staffing in each of the seven existing overseas offices.

- \$1 million to establish five new overseas offices in locations to be determined by the World Trade Commission. Potential locations include China, Korea, Osaka, South America, Singapore, Indonesia, Malaysia, etc.

- An augmentation of \$1.3 million for increased tourism promotion in Japan and the United Kingdom, Mexico, Australia, China, South America, and Korea and 6 positions in foreign offices dedicated to tourism promotion.

Matching Grants for Communities with Closing Military Bases. An augmentation of \$1.1 million to the Defense Adjustment Matching Grant Program in order to provide matching grants to local agencies for defense conversion planning and military base reuse planning.

Increase Marketing Fund. An augmentation of \$500,000 for increased marketing of California as a business location as part of the economic development program.

Expand Small Business Loan Guarantee Program. An augmentation of \$1.5 million and 4.5 positions for further expansion of the program. This increase in capitalization and staffing is expected to result in a \$13 million increase in loan guarantees over the level possible with current funds.

Regulation Review Unit. An augmentation of \$600,000 and 8 positions to establish a new Regulation Review Unit within the Agency for the purpose of reviewing economic and business impact assessments regarding proposed environmental regulations to ensure that negative impacts on the state's business climate are minimized.

Strategic Technology Program. An augmentation of \$2 million in order to restore the program to the 1993-94 budgeted level. The program provides state matching funds for federal grants to support defense conversion projects within the state.

Rural Economic Development and Infrastructure Bond Fund Program. \$3.8 million from the Rural Economic Development Infrastructure Bond Fund is proposed for expenditure in order to continue providing funds for the Rural Economic Development Infrastructure Program. Chapter 869, Statutes of 1993, (AB 1977) provided the Agency with the authority to issue bonds to finance additional rural economic development infrastructure projects.

Expansion of the Petroleum Underground Storage Tank Program (RUST). An augmentation of \$6,464,000 from the Replacement of Petroleum Underground Storage Tank Financing Account and 4.3 positions in order to provide additional support and loan funds for the Petroleum Underground Storage Tank Program. The RUST program makes loans to persons to upgrade, replace, or remove petroleum underground storage tanks to meet applicable local, state, or federal standards. Chapter 431, Statutes of 1993, (AB 2040) abolished various restrictions that will enable more loan applicants to qualify including unlicensed and undocumented underground storage tank owners.

Business, Transportation & Housing

The strength of the California economy is dependent upon efficient markets and sound infrastructure that encourages business and housing development. The Business, Transportation and Housing Agency provides leadership and oversight over the state's programs which develop and maintain the state's transportation infrastructure, regulate businesses to ensure efficient and fair markets for financial, real estate and managed health care service organizations, and ensure our neighborhoods have the capacity to expand the availability of affordable housing to accommodate an expanding workforce -- components necessary to sustain California's growing economy.

In addition, the Agency contributes to the Administration's efforts to enhance public safety through expansion of the California Highway Patrol and the law enforcement efforts of the Department of Alcoholic Beverage Control. As part of its annual budget review, the Agency has also directed several departments to reduce and revise their budgets to more accurately reflect current program delivery plans.

Table BTH-1 displays the funding proposed in the Business, Transportation and Housing portion of the Governor's Budget. The majority of the funding is provided from special fund revenues and federal funds. Significant General Fund expenditures are made for general obligation bond debt service for voter authorized rail and housing programs and to support a variety of programs in the Department of Housing and Community Development.

TRANSPORTATION

State expenditures for transportation and related public safety programs are provided in varying degrees by the Department of Transportation, the California Transportation Commission, the California Highway Patrol, the Department of Motor Vehicles, the Office of Traffic Safety and local government agencies. Most of the revenue to support trans-

portation expenditures in the state is derived from the state and federal gasoline tax, the sales and use tax on diesel fuel, motor vehicle license and registration fees, weight fees for trucks and trailers, and local sales taxes. Approximately

\$8.1 billion in expenditures on roads, highways, mass transit, vehicle licensing and registration, and public safety are proposed in the Governor's Budget for 1995-96.

DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive transportation system of more than

TABLE BTH-1

BUSINESS, TRANSPORTATION AND HOUSING PROPOSED 1995-96 EXPENDITURES ALL FUNDS (DOLLARS IN THOUSANDS)

	State Operations	Local Assistance & Capital Outlay
Agency Secretary	\$1,899	—
Department of Alcoholic Beverage Control	29,474	\$1,500
Alcoholic Beverage Control Appeals Board	533	—
State Banking Department	16,897	—
Department of Corporations	36,273	—
Department of Housing and Community Development	38,301	135,228
California Housing Finance Agency	12,547	—
Office of Real Estate Appraisers	4,655	—
Department of Real Estate	28,403	—
Office of Savings and Loan	458	—
California Transportation Commission	2,270	366,000
Special Transportation Programs	—	86,000
Department of Transportation	1,785,659	4,392,838
Office of Traffic Safety	14,848	10,682
California Highway Patrol	751,018	10,004
Department of Motor Vehicles	539,541	8,214
Stephen P. Teale Data Center	78,167	—
Bond Debt Service	270,073	—
Totals	\$3,611,016	\$5,010,466

15,200 miles of highways and freeways and provides rail passenger services under contract with Amtrak. The Department also provides technical assistance and development loans to more than 200 of California's public general aviation airports.

The Governor's 1995-96 Budget proposes total expenditures of nearly \$6.2 billion from federal funds, reimbursements and various state funds and staffing of 17,640 personnel years.

Placing safety first, Governor Wilson has prioritized transportation needs to ensure the funds are available for safety projects. This includes seismic safety retrofit and other vital, new construction projects which are critical to ensure the safety and integrity of the transportation system while promoting the efficient movement of people, goods and services.

A major goal of the Administration and the Department of Transportation has been to make the most effective use of the resources that come from the state's taxpayers. The 1995-96 budget reflects a new approach to the way the department does business. In addition to accelerating the efforts to "Transform Caltrans" launched in the 1993-94 fiscal year, this budget seeks to challenge the fundamental assumptions that underlie many of the department's programs. Activities which have not demonstrated transportation benefits commensurate with costs are proposed for elimination or restructuring.

Consistent with this philosophy, the department has developed a number of specific initiatives designed to reinvent the way it does business. These initiatives are expected to yield total annual reductions of \$118.5 million and 1,028 personnel years of savings. Many of these changes will return responsibility and accountability for delivery of Federally funded local projects and programs to the local agencies, eliminate unnecessary oversight functions and ensure that transportation funds are only expended when necessary. This budget challenges the Federal Government to review and eliminate those mandates on California's transportation systems and programs which place unproductive demands on the limited transportation resources available to both the state and the Federal Government.

In addition to the 1,028 personnel year reduction associated with efficiencies, the department's 1995-96 budget calls for 198 personnel years in reductions due to declining workload. This produces a total reduction of 1,226 personnel years, which cannot be accommodated through attrition. The department will begin the personnel actions called for in statute to initiate the layoff process.

Caltrans is reducing bureaucracy and reinvesting the savings and efficiencies in the capital outlay program. This means more resources which can be directed to transportation projects that benefit the taxpayers and California commerce.

The 1995-96 Budget marks the fifth year of implementation of the transportation plans which were approved by the voters in June 1990. With the Transportation Congestion Relief and Spending Limitation Act of 1990 (Proposition 111) and the Passenger Rail and Clean Air Bond Act of 1990 (Proposition 108), the voters approved a ten-year, \$18.5 billion increase in new transportation revenues (also referred to as the Transportation Blueprint for the 21st Century). California voters also approved the Clean Air and Transportation Improvement Act (Proposition 116), a \$2 billion bond measure for rail transit, in June 1990. Funding from this measure is appropriated to the California Transportation Commission. The Commission estimates that it will allocate about \$732 million from this measure in both 1994-95 and 1995-96.

A major portion of the "Transportation Blueprint" is implemented through the project specific allocations in the 7 year State Transportation Improvement Program (STIP) which is updated every two years. The 1992 STIP was the first STIP adopted after the Transportation Blueprint legislation was enacted. By 1994, the California Transportation Commission realized that there would be a shortfall in funding the 1992 STIP of approximately \$3 billion. This shortfall was addressed in the 1994 STIP by not adding any new projects to the STIP, thereby stretching out the period for funding those projects programmed in the 1992 STIP by two years, and by

proposing reductions in Department of Transportation support expenditures and making these savings available to fund capital projects in the STIP. The Department of Transportation now indicates that funding for the 1994 STIP will fall short of being fully funded by approximately \$2.5 billion. This shortfall will again impact the ability of the Commission to program new projects in the 1996 STIP. This shortfall is due to the following factors:

- ☐ The transfer of funds to other budget priorities,
- ☐ The need to fund new seismic retrofit projects from existing revenues as a result of the failure of Proposition 1A in June 1994,
- ☐ The failure of the November 1994 Rail Bond,
- ☐ The failure of Congress to appropriate the full authorization of federal transportation funds.

In addition to the shifting of funds from the support budget described above, managing this shortfall will require the California Transportation Commission to prioritize projects in the current STIP and reprogram the 1996 STIP to coincide with the available resources. Caltrans proposes to use short term borrowing to mitigate the impact on cash resources of the expedited seismic retrofit program. In order to preserve a balance in the capital spending programs between mass transportation and highways, the Governor's Budget proposes to commit one-quarter of the resources available in 1995-96 for new STIP projects, or \$118 million, to fund intercity and urban/commuter rail projects previously scheduled to be funded from the rail bonds.

Department of Transportation Support Budget. As a consequence of this Administration's strong commitment to achieving efficiencies in its basic business practices, Caltrans began implementing efficiencies in its operations beginning in the 1993-94 fiscal year. In fiscal year 1994-95, the department proposed a \$56 million reduction in non-capital support expenditures. The department plans to achieve \$35 million of this reduction through the elimination of management and supervisory positions. The

balance will be achieved through reductions in operating expenses and equipment.

In addition, the Legislature imposed additional reductions on the department's support budget in 1994-95. These reductions included a \$41.5 million reduction to the department's general support budget; a \$53 million reduction in the department's capital outlay support program (\$26 million State funds and \$27 million in matching federal funds); and, the loss of \$25 million in Toll Bridge Revenues Account funding for capital outlay support as a consequence of disallowing the use of this funding source for toll bridge seismic retrofit in 1994-95.

In total, Caltrans' support budget was reduced by \$175 million in 1994-95 as a consequence of both the department's efficiency reduction and legislative actions. Compared to the 1993-94 staffing level, Caltrans' 1994-95 support budget reflects a reduction of 663 personnel years.

The Governor's Budget for 1995-96 reflects an additional \$77 million and approximately 716 personnel years of reductions achieved by increasing efficiency and eliminating funds for excessive federal mandates. The Governor's Budget proposes to further reduce the capital outlay support program in Caltrans by \$71.4 million and 220 personnel years. This reduction reflects a decrease in the anticipated workload resulting (1) from the reduced revenues available for the capital outlay program; and, (2) a policy decision to reduce reimbursable workload for local governments.

The 1995-96 budget for Caltrans proposes a total reduction of 1,226 personnel years from the revised 1994-95 level. Caltrans staffing will be reduced by a cumulative total of 1,888 personnel years over the 1993-94 level.

Protection of Transportation Investment. The Governor's Budget proposes a total of \$718 million for maintenance of the existing State Highway System. This includes a \$10.1 million increase proposed for this program in order to adequately maintain roadside rest areas and to maintain the additions to the highway system inventory.

Capital Program. The 1995-96 Budget proposes the expenditure of \$3.4 billion for current and new highway construction projects. Construction funds include \$900 million in State Highway Account funds, \$87 million in Consolidated Toll Bridge funds, \$1.4 billion in federal funds, and \$1.0 billion from local tax measures and other local sources.

The Budget also contains over \$600 million in local assistance funding to support local transportation projects. As part of the balancing of priorities for the limited funds available in the State Highway Account, the budget reflects a reduction of the annual authorization for the State-Local Partnership Program from \$200 million to \$100 million in 1995-96.

Seismic Retrofit and Earthquake Recovery and Restoration. Caltrans continues its efforts to restore the damages caused by the October 17, 1989 Loma Prieta earthquake, the January 17, 1994 Northridge earthquake, and to seismically retrofit structurally deficient bridges. Emergency repair work is being performed by contract and state maintenance forces.

Caltrans' Seismic Retrofit Program for highway bridges consists of two phases. In Phase I, Caltrans is correcting seismic deficiencies on 1,039 structures at an estimated cost of \$750 million. As of December 23, 1994, Caltrans had completed construction on 359 of these structures; they had 531 structures under construction; and they had contracts awarded for 131 structures. The remaining 18 are scheduled for construction early in 1995.

There is an additional inventory of 1,655 state owned non-toll bridges which had been screened prior to the Northridge earthquake and had been determined to not clearly need any seismic retrofit improvements. Subsequent to the Northridge earthquake, Caltrans reevaluated these structures and determined that 1,331 needed some retrofit. Retrofit of 36 of these structures is either completed or under way. The department estimates that the completion of the seismic improvements on these structures (Phase II) will cost approximately \$1.05 billion and take until fiscal 1997-98 to complete.

It is the department's plan to use short-term notes in 1995-96, 1996-97 and 1997-98 to borrow against future federal funds. The department's budget reflects the cash expenditure of approximately \$150 million in 1995-96 from this source.

In addition to seismic retrofit on highway bridges and overpasses, Caltrans also must make seismic improvements to seven state owned toll bridges. The department estimates a total cost of \$650 million to complete these improvements. Design work on the San Francisco-Oakland Bay Bridge is currently underway. Approximately \$45 million in toll bridge revenues and State Highway Account funds will be expended through the 1994-95 fiscal year on this effort; and for the 1995-96 fiscal year, the Governor's Budget reflects expenditures of \$65.9 million (\$23 million in support and \$42.9 million in capital outlay) from Toll Bridge Revenues Account funds. This will be accomplished without impacting local projects or other critical toll bridge work.

Expanded Rail Program. Funding from Proposition 108 is almost completely committed to projects, while the Governor's Budget proposes \$367 million in Proposition 116 funds to continue the administration's commitment to make rail bond funds available as local projects are ready to use them.

Intercity Rail. Unlike urban and commuter rail services, intercity rail passenger service is the responsibility of the state. However, to be successful, the intercity rail system must be coordinated with commuter and urban rail systems, in the same manner that the state and local highway systems are coordinated.

In California, all state supported intercity rail service is currently operated by Amtrak under provisions of Section 403(b) of the Amtrak Act. Caltrans supports passenger services on three routes: 1) the San Diegan, on the San Diego-Los Angeles-Santa Barbara route; 2) the San Joaquins, which run between Bakersfield and Oakland; and 3) the Capitols, inaugurated in December 1991, which run along the Roseville-Sacramento-Oakland-San Jose corridor. Service on the San Diegan currently consists of nine round trips per day. The San Joaquin provides four

round trips per day and service on the Capitols consists of three round trips per day.

The Governor's Budget proposes an additional \$9.7 million to add one additional train for a full year on the San Diegan; two additional trains for a half-year on the San Joaquin route; and, two additional trains for a full year on the Capitol corridor.

After final budget decisions were made on this item, Amtrak announced a variety of proposals to reduce their expenditures, including possibly eliminating the Capitol service. While the budget includes sufficient funds to make up for any cost increases or fare box revenue declines which occurred in 1993-94, sufficient funds to compensate for any new Amtrak costs may require additional funds or reallocation of funds in the existing budget. There are many variables which affect costs and revenues which are likely to change before the 1995-96 budget is completed. Caltrans is working with Amtrak in an effort to reach agreement on ways to preserve and enhance rail service at a reasonable cost.

State Highway Account Expenditures for Debt Service. Based on the sales of bonds issued under Propositions 108 and 116 to date, debt service on transportation bonds is forecast to be \$180 million during 1995-96. In keeping with the 1994-95 two-year budget agreement with the Legislature, the Governor's Budget proposes that a portion of this debt service (\$77 million) be offset by a transfer from the State Highway Account.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) is responsible for protecting property by the titling of vehicles, achieving driver safety through the licensing of drivers, protecting the public by regulating the vehicle industry, issuing identification documents and collecting licensing and registration revenues. As part of this responsibility, DMV collects revenue for various state and local government programs and provides information from its driver's license and registration files. The Governor's Budget proposes \$539.5 million and 8,260 personnel years for DMV to carry out its responsibilities in 1995-96.

Highway Safety. An augmentation of nearly \$11.0 million and 82.9 personnel years is proposed to implement AB 3148 (Chapter 1133, Statutes of 1994) and SB 1758 (Chapter 1221, Statutes of 1994). These two bills have overlapping provisions and basically require the DMV to notify individuals whose license is being suspended by certified mail, and if this is not possible, by a process server. AB 3148, in addition, requires local law enforcement officers to impound the vehicle of anyone found driving without a valid license, who has a prior conviction of this offense and provides for the forfeiture and sale of the vehicle under specified circumstances. The budget also provides \$2.6 million to implement AB 79X (Chapter 38, Statutes of 1994) which requires the DMV to suspend or delay the driving privilege of any person convicted of a drug offense, with specific exceptions.

Another area of public protection involves the issuance of plastic driver's licenses which use magnetic stripe technology similar to that used for credit cards. The use of this technology will not only improve processing efficiency and reduce public waiting time but also guard against counterfeiting and the unsafe and fraudulent use of drivers' licenses and DMV identification cards. The Governor's Budget proposes \$200,000 to accelerate the conversion of paper license holders to the new magnetic stripe format.

The Governor's Budget proposes \$528,000 and a continuation of 12.8 personnel years for DMV to finish the driver competency pilot project and issue a report with recommendations regarding statewide implementation of an improved driver competency test.

Motor-Voter Implementation. The "National Voter Registration Act of 1993" (H.R. 2, 103rd Congress) requires states to establish an agency based voter registration program. The bill specifically requires states to include a voter registration application form as part of an application for a state driver's license or vehicle registration. Changes of address for driver's license or vehicle registration purposes are also required to serve as notification for change of address for voter registration for federal elections. The bill calls for all states to implement these provisions by January 1, 1995.

The 1994-95 budget for the Department of Motor Vehicles was augmented in the Spring of 1994 by \$2,390,000 and 35 personnel years to provide the department with the resources to fund the initial start-up costs for computer reprogramming, printing of voter registration forms, and implementation beginning January 1, 1995.

As it became clear that no federal funds were going to be made available to the states to reimburse them for the costs of implementing this federal mandate, the Governor issued Executive Order No.W-98-94 instructing state departments to implement the federal voter registration mandate only to the extent federal funds were available. Federal funds to pay for the implementation costs of this mandate have not been forthcoming, therefore DMV's budget reflects an estimated savings of \$1,190,000 in the 1994-95 fiscal year. This amount represents the unencumbered balance of the augmentation that was provided in the 1994-95 budget for Motor-Voter start-up and implementation costs. The Governor's Budget for 1995-96 contains no state funds for the implementation of the Motor-Voter mandate. In addition, California is suing the federal government for funding prior to implementing this mandate.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

The Department of Alcoholic Beverage Control (ABC) is responsible for licensing and regulating over 71,000 businesses licensed to manufacture, distribute and sell alcoholic beverages in California.

In support of the administration's continued emphasis on reducing the problems associated with alcohol abuse and related crime problems, the Department's 1995-96 Budget proposes total expenditures of approximately \$31 million and 437 positions.

The budget includes an augmentation of \$2,472,000 from the Alcoholic Beverage Control Fund in order to increase staffing of the Special Operations Unit by 32 positions. The unit's primary focus is to provide an effective enforcement strike force to address specialized enforcement problems. These activities include: conducting lengthy and complex investiga-

tions of disorderly premises; working with local police agencies targeting underage sales and driving while under the influence; responding to requests for aid from local law enforcement agencies and participating in multi-agency task force efforts involving disorderly premises, drug trafficking, and organized crime activities.

DEPARTMENT OF CORPORATIONS

The Department of Corporations is responsible for administering the State's laws governing the offer and sale of securities and franchises, the registration and licensing of securities professionals, and the licensing and examination of various types of financial institutions, including credit unions and thrift and loan companies. The Department also regulates the health care service plan—managed care industry.

The 1995-96 Governor's Budget proposes an expenditure level of \$36,273,000 and 496 positions. Included in this amount are the following major proposals:

- An augmentation of \$3,022,000 and 67 positions in order to implement the California Residential Mortgage Lending Act. Chapter 994, Statutes of 1994 (SB 1978) established the Act which provides that residential mortgage lenders and mortgage loan servicers may be regulated by the Department of Corporations under a program designed for financial businesses rather than be regulated as real estate brokers by the Department of Real Estate.
- An augmentation of \$1,359,000 and 10 positions to provide permanent support for the Workers' Compensation Health Care Provider Organization Act program. Chapter 121, Statutes of 1993 (AB 110) authorizes workers' compensation health care provider organizations to provide managed health care for work-related illnesses and injuries. The department will regulate these new businesses to assure that they are financially sound, provide quality care and engage in good marketing and business practices.

- ❑ An augmentation of \$241,000 and 4 positions to establish a securities agent monitoring program. The State of California has one of the largest numbers of securities agents operating in the United States. This program provides for the identification and regulation of agents with extensive disciplinary histories prior to their conducting business in the State.
- ❑ Reduction of \$349,000 and 15 positions to reflect efficiencies and revised program delivery plans.

OFFICE OF SAVINGS AND LOAN

The principal objective of the Office of Savings and Loan is to fulfill the statutory obligations assigned to it pursuant to Savings Association Law. While the number of associations holding state charters has declined markedly over the last several years, it is important that the State maintain its independent chartering role. Existing State chartered associations will continue to require the approval of a State regulator before taking specified action under the Savings Association Law. In addition, the preservation of the option of State chartering will help to minimize centralization of federal power and preserve the powers reserved to the State pursuant to the Tenth Amendment of the United States Constitution.

The 1995-96 Governor's Budget proposes a total expenditure of \$458,000 and 3 positions to support the Office of Savings and Loan. However, in an effort to streamline government, the functions of the Office of Savings and Loan are proposed to be transferred to the Department of Corporations. Legislation will be proposed in 1995 by the Administration to implement this transfer.

STEPHEN P. TEALE DATA CENTER

The Stephen P. Teale Data Center is responsible for assisting State agencies in achieving their program objectives through the application of the appropriate information technology solutions.

The Governor's Budget for 1995-96 proposes a total expenditure of \$78.2 million and 376 positions, an increase of 1.3 percent over the 1994-95 level. Included in this total are the following major proposals:

- ❑ An augmentation of \$2,085,000 for the purchase of a Central Processing Unit to support continued client growth and accommodate new workload demands.
- ❑ An augmentation of \$2,200,000 to restore funding that was reduced from the budget as a result of the possible migration of the State Teacher's Retirement System to the Health and Welfare Data Center, which did not occur. This augmentation will reestablish the level of funding necessary to maintain the current level of data processing service.
- ❑ An augmentation of \$1,300,000 to take over responsibility for the California Integrated Telecommunications Network (CALNET) circuits that provide connectivity from Department of Motor Vehicles' 177 field offices to the central data communications system which is now operated by Teale.
- ❑ An augmentation of \$421,000 to purchase equipment and services related to the Department of Correction's (CDC's) Wide Area Network (WAN) in order to replace CDC's outdated WAN with a consolidated network based upon modern telecommunications technologies.
- ❑ A reduction of \$1,078,000 as a result of cost avoidance achieved by the procurement of newer data storage technology.
- ❑ A reduction of \$986,000 as a result of efficiencies and a review of actual expenditure needs.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The California Department of Housing and Community Development (HCD) administers programs which expand housing opportunities for all Californians through actions and policies that increase housing affordability and provide a safe and healthy living environment. HCD administers housing finance, economic development and rehabilitation programs with emphasis on meeting the needs of low-income and other disadvantaged groups. They also analyze and implement building codes and enforce construction standards for manufactured homes.

The 1995-96 Governor's Budget proposes a total expenditure of \$174 million and 616.5 positions. Major budget adjustments include:

- ❑ An augmentation of \$8 million (\$2 million General Fund and \$6 million federal funds) to reconstruct, repair and maintain the Office of Migrant Service Center housing facilities.
- ❑ A reduction of \$23,995,000 and 5 positions (4 personnel years) from the Federal Trust Fund resulting from transfer of the federal Housing Assistance Program (HAP) Aftercare Program to local housing authorities.
- ❑ Continued funding of \$2 million from the Housing Trust Fund (SAFCO) to provide emergency shelter to homeless persons and families.
- ❑ A reduction of \$1,913,000 and 26 positions (24.7 personnel years) due to declining workload in the Century Freeway Housing Program.
- ❑ A reduction of \$1,555,000 and 12 positions (11.4 personnel years) for declining workload in housing programs funded by general obligation bonds authorized by Proposition 77 of 1988, Proposition 84 of 1988 and Proposition 107 of 1990.

SECRETARY OF STATE

The Secretary of State, a constitutionally established office, is the chief election officer of the state and is responsible for the administration and enforcement of election laws. The office is also responsible for the administration and enforcement of laws pertaining to filing documents associated with corporations, limited partnerships, and perfection of security agreements.

For 1995-96, the Governor's Budget proposes \$45.9 million and 441 personnel years for the Secretary of State's operations, including the following:

Relocation to New Building Complex. The Secretary of State anticipates moving into its new Sacramento facilities in March 1995. As such, \$618,000 and one personnel year are included in the 1994-95 fiscal year budget to facilitate the move. For 1995-96, \$540,000 and one personnel year are proposed for on-going costs as a result of occupying the new complex. Also included in the budget year is \$3.995 million to begin repayment of the debt service on lease revenue bonds which were sold to construct the building.

Expansion of Information Technology Capabilities. To provide basic operational integrity, risk management/security and network capability in the new building complex, \$147,000 and 3 personnel years are proposed in the 1994-95 fiscal year. In 1995-96, \$2.520 million and 14 personnel years are included to implement office automation for the entire department.

New Programs Resulting from Legislation. Three new programs will begin on January 1, 1995 and will be administered through the Limited Partnerships program. Chapter 1200, Statutes of 1994, the California Limited Liability Company Act, authorizes a limited liability company to engage in any lawful business activity. Chapter 1280, Statutes of 1994, Durable Power of Attorney for Health Care Registry, requires the Secretary of State to maintain a registry for all who wish to file information regard-

General Government

ing a durable power of attorney for health care. Chapter 561, Statutes of 1994, and Chapter 562, Statutes of 1994, require for-profit immigration consultants to file a bond or a

security in lieu of a bond with the office. For the 1994-95 fiscal year, \$844,000 and 17 personnel years are included for these programs; for 1995-96, the budget proposes \$1.462 million and 32 personnel years for full year implementation.

OFFICE OF EMERGENCY SERVICES

In time of a major emergency or disaster in the state, it is the primary mission of the Office of Emergency Services to coordinate emergency activities to save lives and reduce property losses and to expedite the recovery from the effects of the disaster. The 1995-96 Governor's Budget proposes \$63.2 million and 605 personnel years for the operations of the Office of Emergency Services and includes \$75 million for the state's share of local public agency response and recovery costs for disasters other than the Northridge earthquake. In addition, the Governor's Budget reflects the anticipated expenditure of over \$1.3 billion from the federal government for recovery costs sustained by local agencies as a result of the Northridge earthquake and other recent disasters.

Prior to the Loma Prieta earthquake which struck on October 17, 1989, major disasters had occurred in the state on the average of one per year. The Northridge earthquake, which occurred on January 17, 1994, was the twelfth major California disaster in three and one half years. As a result, the Office of Emergency Services has experienced a significant increase in its disaster response and recovery activities.

The Governor's Budget anticipates for the 1994-95 fiscal year \$46.9 million in federal funding and 237 personnel years to meet increased workload demands for the Northridge and Loma Prieta earthquakes and other past disasters. For 1995-96, the Governor's Budget proposes \$19.8 million to continue federal funding for 323 personnel years. These

staff resources are a necessary component in assisting an affected community's rebuilding efforts.

NORTHRIDGE EARTHQUAKE FINANCING

The Northridge earthquake struck southern California on January 17, 1994. In June 1994, the Administration proposed that the 1994-95 non-federal share of the earthquake recovery costs be funded from federal loans, and such loans were authorized by Chapter 151, Statutes of 1994. Based on estimates from the Office of Emergency Services, it was planned that \$300 million would be needed in 1994-95 and loans in that amount have been negotiated. The Federal Emergency Management Agency (FEMA) has approved loans totalling \$175 million. An additional \$100 million loan from the City of Los Angeles (LA) using funds from the federal Department of Housing and Urban Development (HUD) has been approved by the Los Angeles City Council and partially approved by HUD. An additional \$25 million from the HUD/LA loan will be available in 1995-96. The state entities which use these funds for Northridge earthquake recovery programs include the Office of Emergency Services, the Department of Social Services, and the Military Department.

As required under the terms of the loan agreements, the state will begin repayment of the loans in July 1995. As such, the Governor's Budget proposes an estimated repayment of \$60 million based on the estimated recovery from the Northridge earthquake, as expended in 1994-95.

OFFICE OF THE STATE FIRE MARSHAL

The Office of the State Fire Marshal (SFM) was created to establish and maintain an environment of fire safety and prevention throughout the state. The mission of the SFM is accomplished in three ways: by regulating the buildings in which people live, congregate or are confined; by controlling substances which may cause injury, death or destruction by fire; and by educating and training people in fire protection and suppression. The SFM meets its mission through the Field Operations Division, Pipeline Di-

vision, Arson-Bomb Unit, Technical Services Unit and the administrative support unit.

The 1995-96 Governor's Budget proposes 131 personnel years and \$11.3 million for support of the SFM. Significant program changes for 1995-96 include:

- ❑ An increase of \$94,000 and one personnel year to implement SB 1082 (Chapter 418, Statutes of 1993) which created the Unified Hazardous Waste and Hazardous Materials Management Program. This program is intended to establish a single state and local permit process for entities that deal with hazardous waste and hazardous materials.
- ❑ An increase of \$125,000 to educate the public about the safe handling of fireworks.

In March of 1993, the Governor signed Executive Order W-45-93 establishing the State Fire Service Task Force to review and assess the system by which the State coordinates and deploys its fire prevention and suppression programs.

Comprised of representatives of nine state agencies, including the California Department of Forestry and Fire Prevention and the State Fire Marshal, the Task Force raised several issues including questioning the efficiency of the current multi-department mode of providing fire suppression and protection services.

The Administration will seek the consolidation of fire services in order to assure the efficient and effective protection of the public. The organizational units involved will be the Department of Forestry and Fire Protection's fire operations and the Office of the State Fire Marshal.

FRANCHISE TAX BOARD

The Franchise Tax Board is responsible for administering the state Personnel Income Tax, the Bank and Corporation Tax, and various other revenue collection programs. These programs will contribute a significant portion of the General Fund revenue.

The Governor's Budget for 1995-96 proposes expenditures of \$324.2 million and 5,096 positions for the Board. Major budget adjustments include:

An augmentation of \$22.5 million and 104 positions to redesign the Bank and Corporation (B&C) system. This represents the second year of funding. The new system will substantially improve the Board's ability to collect both personal and business income taxes. This project is self funded from increased revenues and will generate net General Fund benefits estimated in excess of \$100 million during its five-year development period and \$55 million annually thereafter.

An augmentation of \$2.6 million and 35 positions to expand the existing Child Support Collection Program as authorized by Chapter 906, Statutes of 1994, (AB 923). It is anticipated that all counties will be participating by December 31, 1996.

DEPARTMENT OF GENERAL SERVICES

The Department of General Services is the business arm of state government and was established to increase efficiency and effectiveness by providing quality business and support service to the state and other public agencies. The department provides these services through over twenty separate offices in two major programs areas. Funding for the department is primarily derived from charges to client agencies for services rendered.

California State Police. In 1995-96 the department will assist in the proposed merger of the California State Police with the California Highway Patrol. In its report to the Little Hoover Commission, the Business, Transportation and Housing Agency (BTH) cites numerous benefits which would result from the merger including: improved employee retention by providing employees with incentives and motivation to stay with the merged organization; enhanced investigative services by assigning over 150 CHP investigators to investigate crimes against state employees and property; and enhanced officer safety through more training. Upon implementation of this merger the Department of General Services will

realize a reduction of 413 personnel years and \$26.1 million.

Property Management. A comprehensive review of the state's property management methods is being proposed for 1995-96. Most of the state's real estate is managed by DGS, primarily through its Office of Project Development and Management (OPDM) and its Office of Real Estate and Design Services (OREDS).

Major budget augmentations in the area of property management include:

- ❑ An increase of 6 personnel years and \$389,000 to increase revenue to the state through the leasing of state-owned properties and the sale of properties determined to be surplus to the state's need. This program has resulted in new leases which have generated \$325,000 over an 18 month period and renegotiated leases have raised an additional \$112,000 over the same period. Based on the initial program performance, the department is projecting that an average of 32 new leases will be developed each year with an estimated annual income of \$216,472. In addition, the Surplus Sales Unit is expected to generate several million dollars annually in additional revenue from the sales of state surplus properties.
- ❑ An increase of \$765,000 to the Proactive Asset Management (PAM) Unit to study the possible disposition and/or development strategy of underutilized real estate properties. The PAM has a list of twenty properties to develop for potential sales in the next two years. These funds will be used to hire outside consultants such as geotechnical engineers, appraisers and land use planners to "add value and obtain maximum returns" from underutilized state properties.

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department of Industrial Relations (DIR) seeks to protect the workforce, improve working conditions, and advance opportunities for profitable employment.

For 1995-96, the Governor's Budget proposes 2,796 personnel years and \$217.3 million for DIR. The following initiative and major budget adjustments are proposed for 1995-96:

The Governor has requested the Director of the Department of Industrial Relations and the Director of the Employment Development Department to lead an interagency team to evaluate the operation and management of programs dealing with labor and employment issues in California. Recommendations will be presented to the Governor by mid-April 1995 and are expected to concentrate on issues that will:

- ☐ Enhance the competitiveness of California business with respect to those in other states;
- ☐ Decrease the cost of litigation to the business community;
- ☐ Decrease the cost of labor and employment programs to taxpayers;
- ☐ Promote the transition from welfare to work; and
- ☐ Further state goals by assuming additional responsibilities where appropriate from the Federal government.

Joint Enforcement Strike Force (JESF). Chapter 1117, Statutes of 1994 (SB 1490) statutorily created the JESF, which had originally been established pursuant to Governor's Executive Order W-66-93, issued October 26, 1993. The Governor's Budget proposes \$1,122,000 from reimbursements and 4 personnel years in 1995-96 to continue funding the activities of the JESF, which include identifying employers who undercut legitimate businesses by operating in the underground economy thus avoiding the lawful payment of wages, taxes, workers' compensation insurance, and licensing fees. JESF will also complete new activities required by the legislation, including the development of a centralized automated debt collection process and a contract with the Franchise Tax Board for collection of delinquent fees, penalties and wages.

Loss Control Certification Unit Staff Augmentation. An increase of \$547,000 from the Cal-OSHA Targeted Inspection and Consultation Fund and 7 personnel years are proposed in 1995-96 to augment existing activities related to loss control plans. Workers' compensation reform legislation in 1993 (Chapter 121, Statutes of 1993) established a program requiring any insurer writing workers' compensation insurance in California to maintain or provide occupational safety and health loss control consultation services which are certified by the Director of DIR. Effective January 1, 1995, DIR is also responsible for receiving and reviewing each insurer's annual health and safety loss control plan for targeting employers with the greatest workers' compensation losses and the most significant and preventable health and safety hazards.

Elevator Unit Staff Augmentation. An increase of \$1,277,000 from the Elevator Safety Inspection Account and 17 personnel years are proposed in 1995-96 to increase the number of elevator inspections in order to address a projected increase in workload as well as eliminate a continuing backlog in inspections.

DEPARTMENT OF FOOD AND AGRICULTURE

The Department of Food and Agriculture is responsible for protecting and promoting California agriculture, providing leadership in the development of agricultural policy and enforcing weights and measures standards in commerce. The department's activities include prevention and eradication of harmful plant and animal, pests and disease; marketing and export assistance to the agriculture industry; development and enforcement of weights and measures standards; and assistance to local fairs. The 1995-96 Governor's Budget proposes a total expenditure of \$200 million and 2,075 personnel years.

California's \$19.9 billion dollar agriculture industry is at risk from infestations of exotic pests, such as the Mediterranean Fruit Fly (Medfly). In 1993, approximately 400 Medflies were trapped in Los Angeles and other areas of southern California. In response to that trapping, the department imple-

mented a plan to eradicate Medfly from southern California. The 1994-95 budget provides \$17 million to the Department of Food and Agriculture for Medfly eradication efforts. The same level of funding for those efforts is proposed to continue in the 1995-96 fiscal year.

For 1993, California's agricultural exports totalled \$10.7 billion, thus making California the largest agricultural exporter in the United States. California's food and agricultural exports accounted for over 10 percent of the state's entire 1993 exports. The Department of Food and Agriculture's Agricultural Export Program is charged with assisting the state's food and agricultural exporters in increasing sales and opening new markets in the international marketplace. Successes in this program have led thousands of agricultural exporters to increase their business overseas. With the recent passage of the North American Free Trade Agreement (NAFTA) and the Greater Agreements on Trade and Tariffs (GATT), activities in this area will be especially important to California as new foreign trade opportunities open. Continuation of the Agricultural Export Program, combined with the expanded, multi-disciplinary efforts of the Trade and Commerce Agency through its foreign trade offices, signifies this Administration's commitment to increase California's profile and effectiveness in international trade/export to the benefit of the state's economy and its citizens.

PUBLIC UTILITIES COMMISSION

The Public Utilities Commission is responsible for the regulation of the transportation industry to ensure the delivery of safe and economic services. The Commission has met this responsibility through the enforcement of safety regulations and controlling industry rates for services.

Effective January 1, 1995, in response to the Public Law 103-305, the Commission will cease to regulate prices, routes, or service of passenger or air carriers transporting property by motor vehicle. This change will result in a savings to the industry in excess of \$15 million annually. The Commission will continue its jurisdiction over matters specifically related to licensing, insurance, safety and consumer

protection adjusting fees to cover the cost of this responsibility.

MILITARY DEPARTMENT

The Military Department is responsible for the California Army and Air National Guard and six other programs. The purpose of the California National Guard is to provide military service supporting this state and the nation. The 1995-96 Governor's Budget proposes a total expenditure of \$60 million from various funds* and 620 personnel years.

The 1994-95 budget includes \$1.3 million General Fund and \$1.3 million in Federal Trust Fund for 53 guard personnel in temporary state active duty status to increase the effectiveness of the U.S. Border Patrol in performing illegal immigration and counter-drug missions. The Military Department provides intelligence analysis, linguist, ground camera surveillance, vehicle operator, vehicle maintenance, and communications support. These efforts release sworn border patrol officers for direct immigration enforcement duties along the California-Mexico border. The Administration proposes to continue the 1994-95 funding level into the 1995-96 fiscal year for this illegal immigration enforcement effort.

*The Military Department's budget for the 1995-96 fiscal year also displays approximately \$415 million of federal funds for informational purposes and are not included in the program totals because the funds are not deposited in the State Treasury.

EMPLOYEE COMPENSATION

During the past four years, the Administration has made cost effective use of the State's employees to provide necessary public services efficiently. Currently, the State employs approximately 264,000** State employees to provide Californians with safety, educational, transportation, health and other essential public services. Governor Wilson has reduced the number of State employees, as a percentage of the population, to its lowest point in thirty years to 8.3 State employees per 1,000 population (per capita). Moreover, based on the latest United States Bureau of the Census report California ranks

second in the nation as having the lowest number of State employees per capita.

^{**}All personnel year numbers exclude Legislators, Legislative Staff and State Compensation Insurance Fund employees.

Current Compensation Package. Since the advent of collective bargaining for State employees in the early 1980s, the terms and conditions of employment for represented civil service employees have been established through the collective bargaining process. Presently, there are twenty-one collective bargaining units. Compensation for non-represented State employees is established by the Department of Personnel Administration (DPA) which represents the Governor on all employer-employee issues. The State entered into a three-year collective bargaining agreement with all twenty-one employee groups effective July 1, 1992 through June 30, 1995.

In recognition of the State's fiscal constraints, the proposed 1995-96 State Civil Service Employee Compensation Program does not include funding for additional employee salary or benefit program premium increases. The DPA will begin contract negotiations with the representatives of the employee unions in the immediate future. The Administration believes that management and labor can develop a compensation program that is driven by performance and not by across-the-board compensation adjustments, irrespective of contributions made by employees.

Retirement and Health Benefits. Salaries and wages are only part of the total employee compensation package. The State pays a substantial amount of money for employee retirement and health benefits. For example, the 1995-96 Governor's Budget proposes to spend approximately \$2 billion for retirement, health, dental, vision, and Social Security benefits for active employees; and an additional \$296 million for health and dental benefits for State retirees.

Retirement contributions have varied from year-to-year, but have remained fairly stable over the past ten years, largely as a result of increasing yields on

investments of the retirement fund. The Public Employees' Retirement System (PERS) Board of Administration determines the retirement rates paid by State and other employers. The rates set by the PERS Board are based on actuarial estimates of present income required to fund the cost of all benefits payable in the future. In 1995-96, the State's General Fund contribution is estimated to be approximately \$490 million.

PERS Lawsuit. In the case of *Board of Administration, California Public Employees' Retirement System, et al. v. Pete Wilson, Governor, et al.*, PERS challenged the constitutionality of legislation, implemented in fiscal years 1992 and 1993, which deferred payment of the State's General Fund employer contribution to the PERS' Fund. Under SB 1107 (Chapter 707, Statutes of 1992), the State appropriated the General Fund employer contribution to the PERS' Fund semi-annually, six months in arrears. In the next fiscal year, SB 240 (Chapter 73, Statutes of 1993) appropriated the General Fund employer contribution annually, 12 months in arrears beginning July 1, 1994. As a result of this legislation, the State appropriates the General Fund employer contributions to the PERS' Fund two years in arrears. For example, on July 1, 1995, the State will pay the fiscal year 1993-94 General Fund employer contribution.

On December 5, 1994, the Sacramento Superior Court issued a tentative decision finding that the statutes unconstitutionally impair the vested contract rights of PERS' members. The tentative decision provides for issuance of a writ of mandate directing State defendants to disregard the provisions of SB 1107 and SB 240 and reinstate quarterly General Fund payments. Moreover, the court directed the State to immediately transfer to the PERS' Fund, the 1993-94 General Fund contributions that are unpaid to date and to pay for lost investment earnings at the rate of 8.75 percent on the 1992-93 and 1993-94 contributions that were delayed. The tentative decision, however, is not enforceable until the court issues a formal judgement and is subject to appeal.

Changes to the Judicial Retirement System (JRS).

An unfunded liability has existed in the current JRS program for thirty years. There have been legislative attempts over the last several years to address the approximate \$1.6 billion unfunded liability in the system. During the past legislative session, SB 65, McCorquodale, (Chapter 879, Statutes of 1994) was enacted into law to address the funding problems of the JRS. Specifically, SB 65 established a second tier retirement program JRS II for judges' newly appointed or elected on or after November 9, 1994. The bill applies to Supreme, Appellate, Superior, Municipal and Justice Court judges. The major differences between the current and the newly enacted JRS II program are the (1) State's funding contribution requirements, (2) minimum retirement age and benefits, (3) cost-of-living adjustment formula, and (4) service retirement options.

Under the current JRS program, the State is contributing between 25.7 percent to over 30 percent of judges' salaries on an annual basis. However, the State's contribution will only be 18.8 percent of salaries for the JRS II program. Member contributions will remain at 8 percent of salary. According to actuaries from William Mercer Co., the member and State contributions and specified court filing fees should be sufficient to fund the proposed JRS II benefit structure. As a result, the JRS II should be fully funded. However, to the extent that there are increased benefit costs (e.g., benefit enhancements, increase in the longevity of members, etc.) without corresponding contribution and/or fee increases, the system would incur an unfunded liability.

Finally, it should be noted that actuarial projections by the William Mercer Co. also disclosed that the State's current \$1.6 billion JRS unfunded liability would continue to rise and approach \$6.2 billion by the year 2021 if the current JRS tier was not closed or properly funded. Consequently, SB 65 will reduce the estimated \$6.2 billion projected unfunded liability by \$3.7 billion, from \$6.2 billion to \$2.5 billion by 2021. The State will finance this reduced liability on a year-to-year pay-as-you-go basis. The State's General Fund JRS payment for FY 1995-96 is

\$57.3 million, or \$11.6 million more than the current year amount.

State Teachers' Retirement System (STRS).

The State is required to increase its General Fund contributions to the STRS pursuant to Sections 22954 and 22955 of the Education Code. The 1995-96 Governor's Budget proposes total General Fund expenditures to STRS of \$845 million for an increase of \$21 million from 1994-95, including \$529.6 million to fund the Elder Full Funding Act and \$315.4 million to fund the Supplemental Benefit Maintenance Account. In addition, the State will pay \$54 million for related mandates.

STATE INFRASTRUCTURE

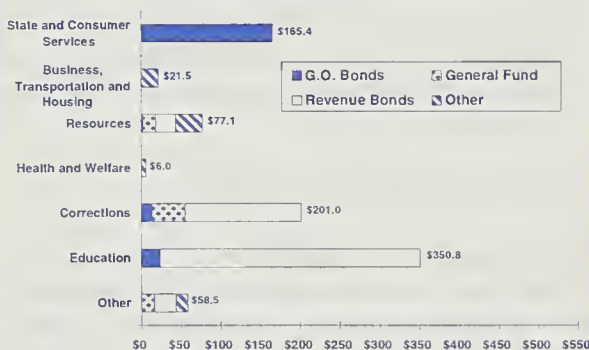
Proposed 1995-96 expenditures for the Capital Outlay Program are approximately \$880 million. The funding for this program is derived from a number of sources including: General Obligation (GO) bonds (23 percent), Lease Revenue (LR) bonds (60 percent), Special Funds (5 percent), General Fund (8 percent) and the remainder from other funds (2 percent).

The 1995-96 Governor's Budget proposes a significant deviation from prior years where General Obligation bonds represented the major source of funding for the Capital Outlay program. With the failure of all the 1994 bond proposals on the ballot, there are limited GO bonds available to address the growing infrastructure and capital needs of the State. This has necessitated an expanded use of Lease Revenue (LR) Bond financing and limited distribution of available GO bonds to address essential infrastructure, utility, access and seismic projects.

The expanded use of LR Bonds will also require certain statutory changes to accommodate the use of this financing mechanism for certain preconstruction activities. The 1995-96 Governor's Budget continues to emphasize the growth needs of the higher

education program and the prison construction program as well as providing sufficient resources to meet continuing commitments in other departments and programs. Capital outlay funding sources for 1995-96 are shown by agency in Figure GG-A.

FIGURE GG-A
CAPITAL OUTLAY PROGRAM FUNDING SOURCES
(Dollars in Millions)



As in previous years, the Department of Finance will again publish a ten-year report on the capital outlay and infrastructure needs of California. While the identified need of State programs has not changed significantly from the 1994 report, changes in the economy and the structural changes that will effect State government will certainly have a significant impact on the State's ability to address the long list of needs that have been identified.

Highlights of the 1995-96 Capital Outlay program are as follows:

- ❑ \$350.8 million in proposed expenditures for higher education. This amount will permit the University of California to address 26 projects at 9 campuses and the California State University (CSU) to address 40 projects at 20 campuses. In particular, the CSU plan includes one project that utilizes expanded lease revenue authority that will allow preconstruction costs to be funded with lease revenue bond funds. This year's budget continues to provide these two higher education segments the flexibility to use identified savings from approved capital outlay projects for other high-

priority items such as, working drawings on approved projects, and funding additional minor capital outlay. With respect to Community Colleges the budget allows this segment to address 49 equipment projects at 33 campuses. The Chancellor's Office has identified these projects as it's highest priority in 1995-96.

- ❑ \$197.3 million to renovate and expand the state's existing prisons which include numerous infrastructure improvement projects (e.g. replacement of electrical systems and renovation of wastewater/sewage treatment plants), hazardous waste cleanup at various sites, modifications to existing facilities and new construction for emergency beds, and \$3.7 million to upgrade youth detention facilities.
- ❑ \$165.1 million in the Department of General Services to perform structural retrofit in twenty-five state buildings.
- ❑ \$27.3 million in the Office of Emergency Services to acquire a site and construct facilities for its Sacramento Headquarters and State Operations Center.
- ❑ \$25 million in the Department of Forestry and Fire Protection for facility improvement and replacement of old and worn out fire stations, and other emergency response facilities for fire protection.
- ❑ \$18.8 million in various departments in the Resources Agency to continue mission critical projects.
- ❑ \$11.5 million is proposed for critical fire/life safety projects in the Department of Veterans Affairs.
- ❑ \$5.9 million for the Employment Development Department to renovate and to abate asbestos in various field offices.

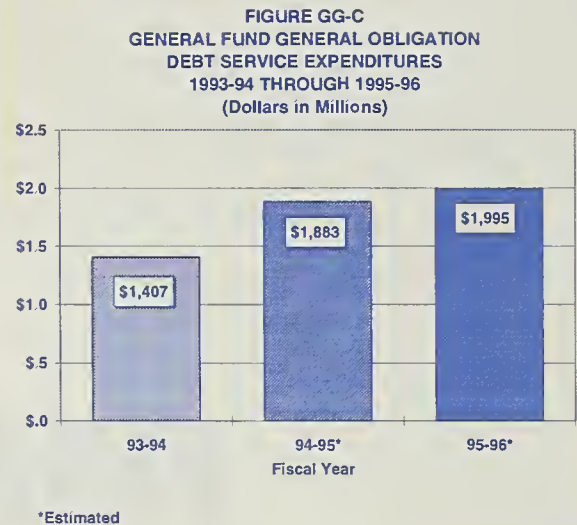
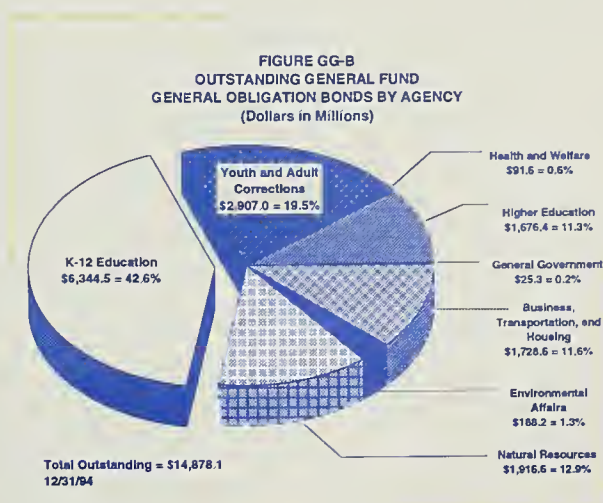
In addition, legislation will be introduced for the construction of six new prisons (\$2.0 billion) and the consolidation of state office space into five buildings (\$560 million) through either state construction or lease purchase.

BONDS

Bond financing is a form of long-term borrowing under which the State raises money by issuing financial securities to investors, such as voter-approved general obligation bonds or legislatively-approved lease-revenue bonds. Bonds are used to finance a wide variety of projects benefiting the public, including schools, prisons, highways, rail transit, parks and water treatment facilities. (For specific information on bond expenditures see the various expenditure areas.)

General Obligation Bonds. California currently owes \$14.9 billion in principal on authorized General Fund general obligation bonds as of the end of calendar year 1994. Figure GG-B reflects outstanding bonds by Agency. The cost to the State's General Fund for the payment of interest and redemption on these bonds was \$1.407 billion in 1993-94, and is estimated to be \$1.883 billion in 1994-95 and \$1.995 billion in 1995-96 (see Figure GG-C). Although the level of the State's bond indebtedness has increased from year to year, such increases have been maintained at a prudent level of 4.6 percent of General Fund Revenue.

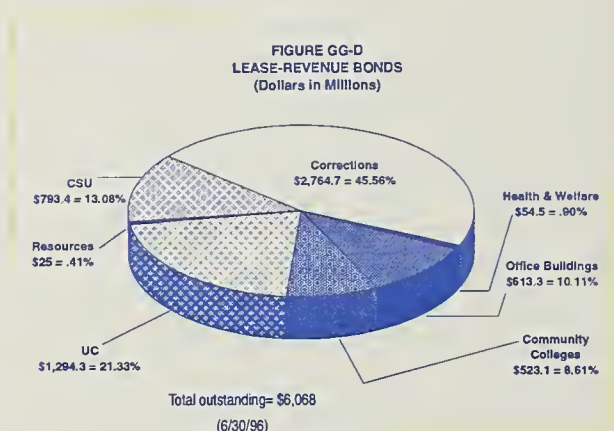
Lease Revenue Bonds. In recent years, the State has increased the use of lease-revenue bonds to supplement the general obligation bonds program. The lease-purchase method of financing projects is used primarily for higher education facilities, State



prison construction and general-purpose office buildings.

Outstanding lease-revenue bonds totaled \$4.2 billion for 1993-94, and are estimated to total \$4.8 billion for 1994-95 and \$6.1 billion for 1995-96 (see Figure GG-D). The cost to the State's General Fund for the payment of interest and redemption on all non-self liquidating revenue bonds was \$237 million in 1993-94, and is estimated to be \$307 million for 1994-95 and \$406 million for 1995-96.

K-12 Loan Program. Since no general obligation bonds passed for K-12 in 1994, the Governor is proposing an interim funding option for schools. This new program will be an alternative to the existing State School Building Lease Purchase Program to serve as both an interim option, as well as a continuing alternative approach for school districts if and when new bonds are authorized (refer to K-12 write-up for detail).



APPENDIX & SCHEDULES

Appendix/Schedules

BUDGETARY PROCESS

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Schedule 3B	Comparison of California's Current Fund Structure to Recommended GAAP Fund Classifications
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Schedule 6	General Fund Analysis of Change in Reserves
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Budgetary Process

The Governor's Budget is the result of a process which begins more than one year before the budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenue and expenditure estimates based upon the most current information available through late December. In the event that the Governor wants to change the budget presented to the Legislature, including adjustments resulting from changes in population, caseload or enrollment estimates, the Department of Finance proposes adjustments to the Legislature during budget hearings through Finance Letters. During late spring, usually May and June, the Department of Finance submits revised expenditure and revenue estimates for both the current and budget years to the Legislature. This update process is referred to as the May Revision. The Department of Finance also prepares updates on revenues and expenditures at interim points of the fiscal year. Listed below are the key documents used in the budget process.

Title	Purpose	Prepared/Issued By	When
Budget Letters and Management Memos	Convey Administration guidelines for budget preparation to agencies and departments.	Governor/Department of Finance	April through December
Budget Change Proposals	Proposes and documents budget changes to maintain the existing level of service or to change the level of service.	Agencies and departments submit to Department of Finance for analysis	July through September
Governor's Budget	Governor proposes budget for the upcoming fiscal year.	Governor/Department of Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Department of Finance	January 10
Budget Bill	Requests spending authorization to carry out Governor's expenditure plan (Legislative budget decision document.)	Department of Finance/Legislature	January 10
Budget Analysis	Analysis of the budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision of General Fund Revenues and Expenditures	Update of General Fund revenues, expenditures and reserve estimates based on the latest economic forecast.	Department of Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of Governor's vetoes.	Legislature/Governor	Late June
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including summary budget schedules.	Department of Finance	Mid-July
Final Change Book	Update of the changes to the detailed fiscal information in Governor's Budget in accordance with the Budget Act.	Department of Finance	Late July

Glossary of Budget Terms

The following budgetary terms are used frequently throughout the Governor's Budget, the Governor's Budget Summary and the annual Budget (Appropriations) Bill. Definitions are provided for terminology which is common to all activities. For definitions of terms peculiar to a specific program area, please refer to the individual budget presentation of interest.

The definitions of other budget-related terms may be found in the State Administrative Manual and in the annual Budget Bill.

Administration Program:

An accounting for departmental central management costs. These include such costs as the Director's Office, Legal Office, Personnel Office, Accounting and Business Services functions that generally serve the whole department.

"Administration-distributed" represents those costs which are more properly distributed to the program activities of a department as indirect costs.

Allocation:

A distribution of funds, or an expenditure limit established for an organization unit.

Allotment:

A part of an appropriation, to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line-item expenditure basis.

Appropriation:

An authorization from a specific fund to a specific agency to make expenditures/incur obligations for a specified purpose and period of time. The Budget Act contains many appropriations, or items. These appropriation items are limited to one year, unless otherwise specified. Appropriations are made by the Legislature in the annual Budget Act and in other legislation. Continuous appropriations (see definition below) can be provided for by legislation or the California Constitution.

Appropriations Limit:

As defined in Section 8 of Article XIII B of the California Constitution, enacted by the passage of Proposition 4 at the November 6, 1979 general election, the growth in the level of certain appropriations from tax proceeds are generally limited

to the level of the prior year's appropriation limit as adjusted for changes in cost of living and population. Other adjustments may be made for such reasons as the transfer of services from one government entity to another.

Augmentation:

An increase to an appropriation. A control section of the Budget Act authorizes the increase in expenditures for a program, category, or project by transfer from any other program, category, or project within the same schedule. A separate section of the Budget Act authorizes the augmentation of scheduled amounts from other departments, and from the federal government to the extent such funds have not been taken into consideration in the appropriation schedules. Both control sections require the reporting of specified augmentations to the chairperson of the committee in each house which considers appropriations and to the Chairperson of the Joint Legislative Budget Committee.

Authorized Positions:

Those ongoing positions approved in the final budget of the preceding year less positions abolished because of continued, extended vacancy. The detail of authorized positions by classification is published in the Salaries and Wages Supplement for each agency. Changes in authorized positions are either listed following each department's budget presentation in the Governor's Budget or as supplemental schedules to the Budget. (See Proposed New Positions.)

Balance Available:

Amount available for appropriation or expenditure/encumbrance. It is the excess of cash and near-cash assets of a fund over its liabilities and reserves; or commonly called surplus available for appropriation. It is also the unobligated balance of an appropriation which may be spent for the purposes of the specific appropriation.

Baseline Budget:

A baseline budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It includes an adjustment for cost increases, but does not include changes in level of service over that authorized by the Legislature.

Budget, Program/Traditional:

A plan of operation for a specific period of time expressed in financial terms. A *program budget* expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives. A *traditional budget* expresses the plan in terms of the costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget. However, a summary of proposed expenditures for goods and services (Summary by Object) is included for State Operations, Local Assistance and Capital Outlay for each department, as well.

Budget Bill/Act:

The Budget Bill is prepared by the Department of Finance and is submitted to the Legislature in January accompanying the Governor's Budget. The Budget Bill is the Governor's proposal for spending authorization for the subsequent fiscal year for on-going programs authorized by the Legislature. The Constitution requires the Legislature to pass the Budget Bill and send it by June 15 each year to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act.

Budget Change Proposal (BCP):

A proposal to change the level of service or funding sources for activities authorized by the Legislature, or to propose new program activities not currently authorized.

Budget Year (BY):

The next fiscal year beginning July 1 and ending June 30 for which the Governor's Budget is submitted. The year following the current fiscal year.

Capital Outlay:

Expenditures which result in the acquisition of or addition to major fixed assets (e.g., land, buildings and equipment related to construction).

Carryover Appropriations:

Appropriations with balances available for expenditure in years subsequent to the year of enactment.

Category:

A grouping of related objects of expenditure (goods or services). Such groupings are primarily Personal Services, Operating Expenses and Equipment, and Special Items of Expense.

Category Transfer:

A control section of the Budget Act provides that the Department of Finance is authorized to augment any category by transfer from any other category within the same appropriation item schedule.

Augmentations of personal services and operating expenses and equipment categories generally cannot exceed, in the aggregate, 20 percent of the amount scheduled. Lower limits exist for support appropriations which exceed \$2,000,000. (See Category.)

Changes in Authorized Positions:

A schedule either included in each budget presentation in the Governor's Budget or as a supplemental schedule to the Budget which reflects personnel staffing changes made subsequent to the adoption of the current year budget (transfers, positions established and reclassifications). It also includes proposed new positions for the budget year.

Character of Expenditure:

A classification of expenditures. (See State Operations, Local Assistance or Capital Outlay.)

Codes, Uniform:

A set of codes, used in all major fiscal systems of California State government, which has been established to identify organizations, programs, funds, appropriation structures, receipts and line-item objects of expenditure. The Uniform Codes Manual, published by the Department of Finance, lists all such uniform codes. (See Section 1.50 of the Budget Act for an explanation of the codes used for Budget Act appropriation items.)

Continuous Appropriation:

Amount, actual or estimated, available each year under a permanent constitutional or statutory expenditure authorization which exists from year to year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or whatever amount is required for the purpose as determined by formula—such as school apportionments.

Control Sections, Budget Act:

The Budget Act is divided into sections. Section 1.00 establishes a citation for the legislation. Section 1.50 provides a description of the format of the act. Section 2.00 contains the itemized appropriations for support of the State of California.

Sections 4.00 through 36.00 are general sections, also referred to as control sections, which generally provide additional authorizations or place additional restrictions on one or more of the itemized appropriations contained in Section 2.00.

Cost-of-Living Adjustments (COLAs).

Statutory/Discretionary:

Increases provided in state-funded programs which include periodic adjustments predetermined in state law (statutory), e.g., K-12 education apportionments; and adjustments which may be established at optional levels (discretionary) by the Legislature each year, e.g., Urban Impact Aid.

Current Year (CY):

The fiscal year beginning July 1 and ending June 30. The time period we are in now.

Encumbrance:

An obligation placed on an appropriation to pay for goods or services which have been ordered by means of contracts, salary commitments, etc., but not yet received.

Expenditure:

Generally, this term designates the amount of an appropriation used for goods and services ordered and received whether paid or unpaid, including expenses, provisions for debt retirement not reported as a liability of the fund from which retired, and capital outlays where the accounts are kept on an accrual basis or a modified accrual basis. Where the accounts are kept on a cash basis, the term designates only actual cash disbursements.

Federal Funds:

In state budget usage, this term describes all funds received directly from an agency of the federal government but not those received through another state department. Generally, state departments must initially deposit such federal funds in the Federal Trust Fund, a fund in the State Treasury.

Final Budget:

The final budget is the Governor's Budget as amended by action taken on the Budget Bill. A Final Change Book is published by the Department of Finance after enactment of the Budget Act to reflect the changes made by the Legislature in their review of the Budget Bill and by the Governor by power of item veto. It includes a detailed list of changes by item number.

Finance Letters:

Proposals made by the Director of Finance to the chairpersons of the committees in each house which consider appropriations to amend the Budget Bill and Governor's Budget from that submitted January 10 to reflect a revised plan of expenditure for the Budget Year.

Fiscal Year (FY):

A 12-month state accounting period which varies from the calendar year and the federal fiscal year. In California State government, the fiscal year runs from July 1 through the following June 30. It is the period during which obligations are incurred, encumbrances are made and appropriations are expended. The Governor's Budget presents three years of detailed fiscal data for the past, current and budget years.

The state fiscal year is often referenced by the first calendar year of the fiscal year, e.g., "90" or "1990" means the 1990-91 fiscal year. By contrast, the federal 1990-91 fiscal year is often referenced as "91" or "1991," and lasts from October 1 through September 30.

Fund Balance:

Excess of the assets of a fund over its liabilities. (See Balance Available, Special Fund for Economic Uncertainties and Surplus.)

Fund Condition Statement:

A statement included in the Governor's Budget for the General Fund, special funds, special accounts in the General Fund, and specific bond funds and nongovernmental cost funds to disclose beginning reserves, revenues and transfers, expenditures and ending reserves.

Funds:

A legal entity that provides for the segregation of moneys or other resources in the State Treasury for specific activities or obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves and surplus (fund balance), as well as its income and expenditures. The assets of a fund may also be placed into separate accounts to provide for limitations on specified fund income or expenditures. (See "Description of Fund Classifications in State Treasury." which follows in this volume.)

General Fund:

The General Fund is the predominant fund for financing State operations. It is used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary

sources of revenue for the General Fund are the personal income tax, sales tax and bank and corporation taxes. A complete itemization of the revenue sources are listed in Schedule 8. The General Fund is used as the major funding source for education (K-12 and higher education), health and welfare programs, youth and adult correctional programs and tax relief. Schedule 9 provides a listing of expenditures for the General Fund.

Item:

(See Appropriation.)

Governmental Cost Funds:

(See Special Funds.)

Limited-Term Positions:

A limited-term position is any position which has been authorized for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget enactment process or in transactions approved by the Department of Finance.

Line Item:

(See Objects.)

Local Assistance:

Expenditures made for the support of local government activities.

Local Mandates:

(See State-Mandated Local Program.)

Merit Salary Adjustment:

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary adjustment of 5 percent per year to recognize proficiency in the work performed up to the upper salary limit of the work classification.

Minor Capital Outlay:

Minor Capital Outlay consists of construction projects or equipment acquired to complete a construction project estimated to cost less than \$250,000.

Objects (line items):

A subclassification of expenditures based on type of goods or services. For example, the Personal Services category includes the objects of Salaries and Wages and Staff Benefits. These may be further subdivided into line items as State Employees' Retirement, Workers' Compensation, etc. Objects do not reflect a function or purpose to be served by the expenditure. A Summary by Object is provided for each department's budget in the Governor's Budget for State Operations, Local Assistance and Capital Outlay expenditures. The

Department of Finance publishes a Uniform Codes Manual which reflects the standard line-item objects of expenditure.

Past Year (PY):

The fiscal year just completed. (See Fiscal Year.)

Personnel Years:

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position which was filled by an employee for half of a year would result in an expenditure of 0.5 personnel years.

Positions:

(See Authorized Positions.)

Programs:

The activities of an organization grouped on the basis of common objectives. Programs are comprised of elements, which can be further divided into components and tasks (the lowest defined program activity).

Proposed New Positions:

A request for an authorization to expend funds for the employment of additional people for the performance of work. Proposed new positions may be for limited-time periods (limited term) and for full or less than full-time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed.

Reappropriation:

The extension of the availability of an appropriation for expenditure beyond its set termination date and/or for a new purpose. Reappropriations are usually authorized by the Legislature for one year extensions at a time.

Receipts:

Describes an increase in the assets of a fund including revenues as well as transfers from other funds, federal receipts and fund reimbursements.

Reconciliation With Appropriations:

A statement in each budget presentation which sets forth the source and amount of appropriations, by fund, available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure, i.e., State Operations, Local Assistance and Capital Outlay.

Reimbursements:

Amount received as a repayment of the cost of work, or service performed, or of other expenditures made for or on behalf of another govern-

mental unit or department. Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure in accordance with the budgeted amount (scheduled in an appropriation).

Reserve:

An amount set aside in a fund balance to provide for expenditures from the unencumbered balances of continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations and appropriations for capital outlay projects.

Revenue:

The addition to cash or other current assets of governmental funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees or investment earnings.

Reversion:

The return of the unused portion of an appropriation to the fund from which the appropriation was made. The undisbursed portion of an appropriation reverts two years (four years for federal funds) after the last day of availability for encumbrance. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

Salary Savings:

Salary savings reflects personnel cost savings resulting from vacancies and downward reclassifications as a result of turnover of employees. The amount of budgeted salary savings is an estimate generally based on past year experience.

Special Fund for Economic Uncertainties:

Statutes and the control sections of the Budget Act provide for the establishment of a Special Fund for Economic Uncertainties and a reserve in each special fund to provide for emergency situations. The appropriation of such funds from the reserves are not subject to the appropriation limits imposed on other appropriations. (See Appropriations Limit.)

Special Funds:

Special funds is a generic term used for "governmental cost funds" other than the General Fund. Governmental cost funds generally are commonly defined as those funds used to account for revenues from taxes, licenses and fees where the use of such revenues is restricted by law for particular functions or activities of government. Examples of

special funds are the transportation funds, fish and game funds and the professions and vocations funds. Revenues, expenditures and the condition of special funds are summarized in Schedules 8, 9 and 10.

Staff Benefits:

The staff benefits object represents the state costs of contributions for employees' retirement, OASDI, health and welfare benefits, workers' compensation, unemployment insurance, industrial disability leave benefits and nonindustrial disability leave benefits.

State-Mandated Local Program:

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the November 6, 1979 general election. (See Governor's Budget: 8885 Commission on State Mandates.)

State Operations:

Expenditures for the support of State government, exclusive of capital investments and expenditures for local government activities.

Summary by Object:

A summary of actual past year and estimated current and budget year expenditures for goods and services for each organization presented for State Operations, Capital Outlay and Local Assistance expenditures.

Summary of Program Requirements:

At the front of each departmental budget is a Summary of Program Requirements. It presents the various departmental programs by title, dollar totals, personnel-years, and source of funds for the past, current and budget years.

Summary Schedules:

The Governor's Budget includes schedules which summarize state revenues, expenditures and other fiscal and personnel data for the past, current and budget years. (See Schedules 1-13 which follow in this volume.)

Tax Expenditures:

Subsidies provided through the taxation systems.

Transfers:

As reflected in fund condition statements, transfers reflect the movement of resources from one fund to another based on statutory authorization or specific legislative transfer appropriation authority.

Description of Fund Classifications in the State Treasury

Revenues and expenditures in the program budget and the summary schedules reflect the activities of many separate funds. Schedules 10 and 11 provide a complete list of these funds. The Index lists those funds for which Fund Conditions are included in the budget and references the page number. General Fund and Special Fund expenditures represent the cost of government and are included in budget totals, and along with selected Bond Funds, are included in the overall expenditure totals. In 1981-82 the State of California began to change classification of funds in the state treasury to conform to Generally Accepted Accounting Principles as set forth by the National Council on Governmental Accounting. Schedule 3 includes a description of these changes and shows their effect on the budget totals.

General Fund. Used to account for all revenues and activities financed therefrom which are not required by law to be accounted by any other fund. Most state expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

Special Funds. Consists of governmental cost funds used to account for taxes and revenues which are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions and vocations; transportation; law enforcement; and capital outlay.

General Fund Special Accounts. Legislatively created accounts or dedicated revenues within the General Fund. Moneys credited to such accounts may be used only for the purposes specified in the legislation. As a result of Chapter 942, Statutes of 1977, these special accounts are treated as special funds and revenues and expenditures are included in the special funds totals in the summary schedules of the budget. They are therefore excluded from the General Fund unrestricted revenues, expenditures and reserves.

Selected Bond Funds

Selected bond funds are General Obligation Bond funds which are non-self liquidating. Included in the overall expenditures totals of Schedules 1 and 9 for budget purposes are expenditures from the selected bond funds. The following page provides a complete listing of all selected bond funds.

Other Funds. See Schedule 11 for a list of funds which do not represent a cost of government. Expenditures from these funds are not included in the budget totals. They consist of moneys which were derived from sources other than general or special taxes, licenses, fees or other state revenues. Included are receipts from the Federal Government, funds created for accounting purposes, receipts from sale of lands, or moneys held in trust. These funds are segregated into the following classifications:

Working Capital and Revolving Funds. Funds created to finance internal service activities rendered by a state agency to other state agencies or to local governments for which charges are made at cost. The charges are reflected as expenditures in the budget of the agency receiving the commodity or service.

Public Service Enterprise Funds. Self supporting activities operated by the State for the benefit of the public. Funds are derived from charges to those who use the service and no support is derived from taxes, licenses or other state revenues.

Bond Funds. Used to account for the receipt and disbursement of proceeds from the sale of bonds and to finance projects for which the bonds were authorized. Expenditures are considered a cost of government at the time interest payments are made and as the bonds are redeemed.

Retirement Funds. Moneys held in trust by the State for retirement benefit payments.

Trust and Agency Funds. Funds holding moneys in trust pending disbursements to trustors, moneys received from the Federal Government to be expended for specific purposes, and other funds which do not derive their sources from taxes or other state revenues, or are in the nature of transitory funds created for the convenience of accounting receipts or disbursements which are not necessarily revenues or expenditures.

<i>Fund No.</i>	<i>Fund Name</i>	<i>Fund No.</i>	<i>Fund Name</i>
732	Beach, Park, Recreational and Historical Facilities Fund of 1964, State	714	Home Building and Rehabilitation Fund
733	Beach, Park, Recreational and Historical Facilities Fund of 1974, State	720	Lake Tahoe Acquisition Fund
743	Bond Proceeds Account, State School Building Lease-Purchase Fund	794	Library Construction and Renovation Fund, California
703	Clean Air and Transportation Improvement Fund	723	New Prison Construction Fund
740	Clean Water Bond Fund of 1984, State	781	New Prison Construction Revenue Fund
734	Clean Water Fund, State	762	Oil Spill Bond Expense Account, Oil Spill Prevention and Administration Fund
737	Clean Water and Water Conservation Fund, State	712	Park, Recreation and Wildlife Enhancement Bond Fund
764	Clean Water and Water Reclamation Fund of 1988	721	Parkland Fund of 1980
730	Coastal Conservancy Fund of 1984, State	722	Parkland Fund of 1984
716	Community Parklands Fund	756	Passenger Rail Bond Fund of 1990
736	Construction Program Fund, State	751	Prison Construction Bond Fund of 1990
711	County Correctional Facility Capital Expenditure Fund of 1986	724	Prison Construction Fund of 1984
796	County Correctional Facility Capital Expenditure and Youth Facility Bond Fund of 1988	746	Prison Construction Fund of 1986
725	County Jail Capital Expenditure Fund, Bond Act of 1981	747	Prison Construction Fund of 1988
727	County Jail Capital Expenditure Fund, Bond Act of 1984	754	Public Safety Fund, 1994 (Proposed)
788	Earthquake Safety and Housing Rehabilitation Bond Account, Housing Rehabilitation Loan Fund, California	728	Recreation and Fish and Wildlife Enhancement Fund
768	Earthquake Safety and Public Building Rehabilitation Fund of 1990	749	Refunding Escrow Fund
748	Fish and Wildlife Habitat Enhancement Fund	707	Safe Drinking Water Fund, California
755	Flood Control Bond Fund	793	Safe Drinking Water Fund of 1988, California
710	Hazardous Substance Cleanup Fund	789	School Facilities June 1988 Bond Account, State School Building Lease-Purchase Fund
718	Health Science Facilities Construction Program Fund	776	School Facilities November 1988 Bond Account, State School Building Lease-Purchase Fund
782	Higher Education Capital Outlay Bond Fund	774	School Facilities June 1990 Bond Account, State School Building Lease-Purchase Fund
785	Higher Education Capital Outlay Bond Fund of 1988	708	School Facilities Bond Act, November 1990, State School Building Lease-Purchase Fund
791	Higher Education Capital Outlay Bond Fund, June 1990	745	School Facilities Bond Act, June 1992
705	Higher Education Capital Outlay Bond Fund of 1992	765	School Facilities Bond Act, November 1992
842	Higher Education Capital Outlay Bond Fund of 1994 (Proposed)	719	School Finance Authority Fund, California
		729	Senior Center Bond Act Fund
		715	SSC Development Fund
		742	Urban and Coastal Park Fund, State
		790	Water Conservation Fund of 1988
		744	Water Conservation and Water Quality Bond Fund of 1986
		786	Wildlife, Coastal and Park Land Conservation Fund of 1988, California
		787	Wildlife and Natural Areas Conservation Fund (subfund of 786)

Description of Key Schedules

The Budget includes summary information in various schedules. The following schedules are those which may be the most useful for the public, private sector, or other levels of government.

SCHEDULE 1. *General Budget Summary*—Provides for a summary of total statewide revenues and expenditures for the General Fund and Special funds plus expenditure totals for the Selected Bond funds.

SCHEDULE 2. *Total State Spending Plan*—Provides in a single schedule the State's total spending plan. In addition to the General Fund, Special funds, and Selected Bond funds, expenditures from Nongovernmental Cost funds and Federal funds are shown.

SCHEDULE 3A. *Total State Spending Plan by Generally Accepted Accounting Principles (GAAP) Fund Classifications*—Provides in a single schedule the State's Total Spending Plan (Schedule 2) rearranged into GAAP Fund Classifications.

SCHEDULE 3B. *Comparison of California's Current Fund Structure to Recommended GAAP Fund Classifications*—Provides a comparison of California's Current Fund Structure to recommended GAAP Fund Classifications.

SCHEDULE 4A. *Personnel Years and Salary Cost Estimates*—Provides personnel year data and corresponding dollar amounts by functional breakdown and position classifications. This schedule reflects net data after salary savings.

SCHEDULE 4B. *Positions and Salary Cost Estimates*—Provides position and personnel year data and corresponding dollar amounts by functional breakdown. This schedule reflects both gross data before salary savings and net totals salaries and wages.

SCHEDULE 5. *Summary of State Population, Employees, and Expenditures*—Provides historical data of State population, employees and expenditures.

SCHEDULE 6. *General Fund—Analysis of Change in Reserves*—Provides a comparison of the General Fund amounts presented in the pre-

vious Governor's Budget to the amounts presented in this Governor's Budget.

SCHEDULE 7. *General Fund: Statement of Financial Condition*—Provides the financial condition of the General Fund as of June 30 from the most recently available information from the State Controller.

SCHEDULE 8. *Comparative Statement of Revenues*—Provides General Fund and Special fund revenue detailed amounts within three main breakdowns of: (1) major taxes and licenses, (2) other revenues, and (3) transfers.

SCHEDULE 9. *Comparative Statement of Expenditures*—Provides a listing of expenditures in the order of printing of individual budgets from the General Fund, Special funds, selected Bond funds and Federal funds for State Operations, Local Assistance and Capital Outlay.

SCHEDULE 10. *Summary of Fund Condition Statements*—Provides for the General Fund and each Special fund the beginning reserve, income, expenditures, transfers, and ending reserve for each of the three fiscal years displayed in the Governor's Budget.

SCHEDULE 11. *Statement of Cash and Securities*—Provides a listing of cash, securities and amounts due from the Surplus Money Investment Fund for all funds maintained in the State Treasury.

SCHEDULE 12. *Statement of Bonded Debt*—Provides a listing of all general obligation bonds including maturity dates, authorized amount of bond issues, unsold issues, redemptions and outstanding issues.

SCHEDULE 13A. *State Appropriations Limit Summary*—Provides a summary of Schedules 13B through 13E and calculates the State Appropriations Limit (SAL), total SAL Appropriations and the Appropriation Limit Room or Surplus.

SCHEDULE 13B. *Revenues to Excluded Funds*—Provides a listing of revenues to special funds that are not included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 13C. *Non-tax Revenues in Funds Subject to Limit*—Provides a total of non-tax revenues for General and Special funds deposited in funds that are included in the calculation of total appropriations subject to the State Appropriations Limit.

SCHEDULE 13D. *Transfers from Excluded Funds to Included Funds*—Provides a listing of transfers between funds that are included in calculating the appropriations subject to the State Appropriations Limit.

SCHEDULE 13E. *Expenditures Excluded from Limit by Agency*—Provides a distribution of actual gross appropriations that are excluded from appropriations subject to the State Appropriations Limit.

Schedule 1
GENERAL BUDGET SUMMARY ^a
(In thousands)

<i>1993-94 ^b</i>	<i>Reference to Schedule</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Budget Expenditure Totals</i>	<i>Selected Bond Fund Expenditures</i>	<i>Expenditure Totals Including Bonds</i>
Prior year resources available.....	10	\$543,524	\$1,715,169			
Revenues and transfers.....	8	40,095,429	12,288,396			
Loan Repayments.....	—	—1,600,000	—			
Expenditures.....	9	38,957,922	12,746,463	\$51,704,385	\$1,378,902	\$53,083,287
Fund Balance ^f	7	\$81,031	\$1,257,102			
<i>Reserve for Proposition 98 ^d</i>	—	132,280	—			
<i>Special Fund for Economic Uncertainties ^e</i>	—	—443,303	—			
<i>Reserves for Economic Uncertainties ^e</i>	—	—	1,257,102			
<i>Reserve for Liquidation of Encumbrances ^e</i>	—	229,992	—			
<i>1994-95</i>						
Prior year resources available.....	10	\$81,031	\$1,257,102			
Revenues and transfers.....	8	42,352,615	12,235,557			
Deficit Elimination Plan.....	—	1,025,000	—			
Loan Repayments.....	—	—1,200,000	—			
Expenditures.....	9	41,692,913	12,340,325	\$54,033,238	\$1,108,874	\$55,142,112
Fund Balance ^f	10	\$565,733	\$1,152,334			
<i>Reserve for Proposition 98 ^d</i>	—	51,045	—			
<i>Special Fund for Economic Uncertainties ^e</i>	—	284,696	—			
<i>Reserves for Economic Uncertainties ^e</i>	—	—	1,152,334			
<i>Reserve for Liquidation of Encumbrances ^e</i>	—	229,992	—			
<i>1995-96</i>						
Prior year resources available.....	10	\$565,733	\$1,152,334			
Revenues and transfers and other additions.....	8	42,537,536	13,520,743			
Loan Repayments.....	—	—1,025,000	—			
Expenditures.....	9	41,726,182	13,792,366	\$55,518,548	\$810,318	\$56,328,866
Fund Balance ^f	10	\$352,087	\$880,711			
<i>Reserve for Proposition 98 ^d</i>	—	29,740	—			
<i>Special Fund for Economic Uncertainties ^e</i>	—	92,355	—			
<i>Reserves for Economic Uncertainties ^e</i>	—	—	880,711			
<i>Reserve for Liquidation of Encumbrances ^e</i>	—	229,992	—			

^a The General Budget Summary includes the revenues and expenditures of all state funds that reflect the cost of State government and selected bond fund expenditures. The transactions involving other nongovernmental cost funds are excluded. The amounts included in this schedule for expenditures and revenues may not agree with those shown in Schedules 8, 9 and 10 due to rounding.

^b Due to lack of time for complete reconciliation to the State Controller's preliminary fiscal data for their annual report, the amounts reflected in the 1993-94 fiscal year do not agree with the data which will be included in the State Controller's Annual Report.

^c The Special Fund for Economic Uncertainties and the Reserves for Economic Uncertainties provide sources of funds to meet State General Fund and Special Funds obligations in the event of a decline in revenues or an unanticipated increase in expenditures.

^d The Reserve for Proposition 98 represents the amounts which were not spent from appropriations available to meet the State's obligation to conform to Proposition 98.

^e The Reserve for Liquidation of Encumbrances represents an amount which will be expended in the future for state obligations for which goods and services have not been received. This Reserve treatment is consistent with accounting methodology recommended by Generally Accepted Accounting Principles (GAAP) and Chapter 1286, Statutes of 1984 (AB 3372) which requires the State to conform its fiscal management system to GAAP.

^f The Fund Balance for the General Fund includes amounts for unencumbered balances of continuing appropriations at the end of the 1993-94, 1994-95 and 1995-96 fiscal years of \$119,407; \$32,326; and \$6,678 (in thousands) respectively.

Schedule 2 TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are (1) funds are accounted for in a different manner, (2) duplication of expenditures result, (3) expenditures from non-state funds are included, and (4) expenditures are included for quasi-state operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in two parts. Part A summarizes those expenditures from funds traditionally included in budget totals; Part B summarizes expenditures from the other funds which are collectively identified as nongovernmental cost funds. Schedule 2, in either part, does not include reimbursements received from the public or other levels of government, as these are deducted from State expenditures.

Total State Spending Plan—Part A Governmental Cost, Selected Bond Funds and Federal Funds

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds which are commonly referred to as "governmental cost funds." This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The Federal funds have also been included in Part A because of increasing interest in the level of the State's expenditure of Federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and Federal funds is shown in Schedule 9.

<i>Funds</i>	<i>1993-94*</i>	<i>1994-95*</i>	<i>1995-96*</i>
Governmental Cost Funds:			
General Fund.....	\$38,957,922	\$41,692,913	\$41,726,182
Special Funds.....	12,746,463	12,340,325	13,792,366
Totals, Governmental Cost Funds.....	\$51,704,385	\$54,033,238	\$55,518,548
Selected Bond Funds	1,378,902	1,108,874	810,318
Totals, Governmental Cost Funds and Selected Bond Funds.....	\$53,083,287	\$55,142,112	\$56,328,866
Federal Funds.....	32,553,769	31,904,384	32,962,047
TOTALS.....	\$85,637,056	\$87,046,496	\$89,290,913

Total State Spending Plan—Part B Nongovernmental Cost Funds

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees or other state revenues. Although Federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-state sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than Federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

<i>Funds</i>	<i>1993-94*</i> <i>Amount</i>	<i>1994-95*</i> <i>Amount</i>	<i>1995-96*</i> <i>Amount</i>
PUBLIC SERVICE ENTERPRISE FUNDS			
Housing Finance Fund, California.....	\$10,069	\$10,770	\$10,770
Water Resources Development Bond Fund	250,841	448,864	400,111
Central Valley Water Project Const Fund	185,561	290,820	242,327
Central Valley Water Project Revenue Fund	350,889	207,253	219,234
Expo and State Fair Enterprise Fund, Cal.....	16,361	19,354	17,335
Compensation Insurance Fund.....	1,531,805	1,732,000	1,819,000
Employment Training Fund.....	120,546	77,837	70,906
Harbors and Watercraft Revolving Fund	23,087	43,764	46,473
Univ Continuing Education Revenue Ed, St	79,158	78,690	83,504
Univ Dormitory Revenue Fund, Calif State	52,798	55,693	57,318
Unemployment Compensation Disability Fund.....	1,896,835	2,048,349	2,186,559
Veterans Farm & Home Building Fund 1943	333,996	325,620	310,471
Others.....	22,754	22,098	20,659
TOTALS, PUBLIC SERVICE ENTERPRISE FUNDS	\$4,874,700	\$5,361,112	\$5,484,667
WORKING CAPITAL AND REVOLVING FUNDS			
Protective Services Fund.....	-	-	\$27,755
Architecture Revolving Fund.....	\$20,588	\$22,834	22,781
Health and Welfare Agency Data Cent Rev Fund	67,334	100,667	103,326
Mobilehome Manufactured Home Revolv Fund.....	9,753	12,995	12,964
Public Buildings Construction Fund	787,185	628,658	895,175
Service Revolving Fund	355,596	370,778	352,582
Water Quality Control Fund, State.....	16,467	12,593	7,390
Stephen P. Teale Data Center Rev Fund	71,314	77,134	78,167
Consumer Affairs Fund.....	10	25,027	25,027
Others.....	-4,164	998	645
TOTALS, WORKING CAPITAL AND REVOLVING FUNDS.....	\$1,324,083	\$1,251,684	\$1,525,812
BOND FUNDS—OTHER			
School Building Aid Fund, State	\$34,998	\$31,906	\$30,140
RETIREMENT FUNDS			
Judges Retirement Fund	\$63,431	\$68,324	\$75,296
Public Employees' Retirement Fund	3,464,502	3,729,924	4,034,233
Teachers Retirement Fund	2,514,341	2,904,018	3,177,731
Others.....	5,469	6,736	6,938
TOTALS, RETIREMENT FUNDS	\$6,047,743	\$6,709,002	\$7,294,198
OTHER NONGOVERNMENTAL COST FUNDS			
Administrative Claiming Fund	-	\$200,000	\$200,000
Disaster Housing Rehabilitation Fund, CA.....	\$14,735	2,953	1,171
Emerg Serv and Supplemental Payments Fund	201,759	103	117
Lottery Education Fund, Calif State	666,729	677,035	676,940
Flexelect Benefit Fund	11,536	12,127	12,697
Public Employees' Health Care Fund	327,022	359,823	378,005
Medi-Cal Inpatient Pymt Adjustment Fund.....	1,684,522	1,674,385	1,336,241
University Lottery Education Fund, Cal State	18,178	44,132	24,130
Co Medical Svcs Prog Acct, Co Hlth Svc Fund	78,971	91,132	93,677
School Employees Fund	37,526	35,927	35,949
Inmate Welfare Fund	33,295	39,512	42,930
Forest Resources Improvement Fund	13,927	16,856	16,589
Trial Court Trust Fund	152,000	141,500	155,500

Special Deposit Fund	54,900	59,396	44,168
Guaranteed Loan Reserve Fund, State	102,928	42,281	51,034
Local Property Tax Revenues	9,523,540	10,019,933	10,281,700
Toll Bridge Funds, Consolidated	78,245	119,886	157,057
Higher Education Fees and Income—UC/CC	929,920	996,920	1,019,319
University Funds—Unclassified	3,619,405	3,782,626	3,915,316
Other Unclassified Funds	732,899	400,108	434,672
Others	34,722	54,559	38,416
TOTALS, OTHER NONGOVERNMENTAL COST FUNDS	<u>\$18,316,759</u>	<u>\$18,771,194</u>	<u>\$18,915,628</u>
TOTALS, NONGOVERNMENTAL COST FUNDS	\$30,598,283	\$32,124,898	\$33,250,445

**Total State Spending Plan—Part C
Reimbursements**

<i>Funds</i>	<i>1993-94* Amount</i>	<i>1994-95* Amount</i>	<i>1995-96* Amount</i>
Reimbursements	\$3,211,411	\$4,599,908	\$4,180,992

* Dollars in thousands

IMPLEMENTATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Implementation of Chapter 1286, Statutes of 1984, requires the state to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the extent that the Department of Finance deems it to be in the best interest of the State.

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs. The purpose of "Governmental GAAP" is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators and other readers are consistent from year to year, as well as comparable between governmental entities.

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for activities and transactions of state and local governmental entities. The State of California currently is a dues-paying member of the GASB organization and provides input for the various issues being studied by GASB.

An effort is currently underway within the Department of Finance to ensure that the budget and financial statements of the state are more understandable and are presented in a fair and consistent manner through the application of Generally Accepted Accounting Principles.

The Department of Finance has taken the following actions to implement GAAP:

1. A work group was established to review the changes required by GAAP and to establish priorities and task assignments.
2. In 1986-87, the Governor's Budget and Budget Act changed the classification of student fees in the California State University System to revenue rather than reimbursements.
3. In 1986-87, the Governor's Budget and Budget Act changed the classification of State Hospital Medical Care receipts to reimbursements rather than revenue.
4. In 1987-88, the Governor's Budget displayed the interest and redemption costs of general obligation bonds in the relevant program area for each bond.
5. The Financial and Performance Audits Unit (FPA) of the Department of Finance has done work on rewriting the sections of the State Administrative Manual covering proprietary funds to bring them into conformance with GAAP.
6. The "Fund Manual" for California has been rewritten to bring it into conformance with GAAP.
7. The 1989-90 Governor's Budget provided for the treatment of General Fund encumbrances as a reservation of fund balance rather than expenditures. This treatment is consistent with the GAAP standard that encumbrances are obligations for which goods and services have not been received and which therefor should not be shown as expenditures.

The State's fiscal system is highly complex with many interrelationships between budgeting and accounting. Consequently, some of the changes in accounting that are necessary to conform to GAAP impact the budget system and/or the Governor's Budget presentations. These interrelationships will result in the GAAP changes being accomplished over a number of years.

The following two charts illustrate the effect of conversion to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 1995-96 budget totals to show California's current fund structure compared to recommended GAAP classifications.

SCHEDULE 3A TOTAL STATE SPENDING PLAN BY GAAP FUND CLASSIFICATION (In Thousands)

<i>GAAP Fund Structure</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>
Governmental Funds			
General Fund.....	\$38,957,922	\$41,692,913	\$41,726,182
Special Revenue Funds.....	31,946,462	32,698,391	35,337,566
Capital Project Funds.....	983,360	549,373	244,646
Total Governmental Funds.....	\$71,887,744	\$74,940,677	\$77,308,394
Proprietary Funds			
Enterprise Funds.....	\$3,728,166	\$3,956,874	\$4,222,997
Internal Service Funds.....	511,605	592,298	605,257
Total Proprietary Funds.....	\$4,239,771	\$4,549,172	\$4,828,254
Fiduciary Funds			
Retirement Funds.....	\$6,047,584	\$6,708,935	\$7,294,131
Trust and Agency Funds—Other.....	8,965,725	9,339,097	9,183,751
Trust and Agency Funds—Federal.....	6,163,870	4,235,533	3,920,133
Total Fiduciary Funds.....	\$21,177,179	\$20,283,565	\$20,398,015
Funds Outside State Treasury			
Other.....	\$18,930,645	\$19,397,980	\$20,006,695
TOTAL SPENDING, ALL FUNDS.....	\$116,235,339	\$119,171,394	\$122,541,358

SCHEDULE 3B
COMPARISON OF CALIFORNIA CURRENT
FUND STRUCTURE AND RECOMMENDED GAAP FUND STRUCTURE
USING 1995-96 BUDGET TOTALS
(In Thousands)

FUND STRUCTURE BASED ON GAAP CLASSIFICATIONS

	<i>Governmental Funds</i>				<i>Proprietary Funds</i>		<i>Fiduciary Funds</i>		<i>Funds Outside State Treasury</i>	<i>Totals</i>
	<i>General Fund</i>	<i>Special Revenue Funds</i>	<i>Capital Projects Funds</i>	<i>Total Governmental Funds</i>	<i>Enterprise Funds</i>	<i>Internal Service Funds</i>	<i>Retirement Funds</i>	<i>Trust and Agency Funds</i>		
CURRENT FUND STRUCTURE										
Governmental Cost Funds										
General Fund	\$41,726,182	—	—	\$41,726,182	—	—	—	—	—	\$41,726,182
General Fund Special Accounts	—	\$937,798	—	937,798	\$49,324	\$18,400	—	\$26,963	—	1,032,485
Transportation Funds	—	3,917,729	—	3,917,729	—	—	—	3,326,652	—	7,244,381
Feeder Funds	—	—	—	—	—	—	—	30,105	—	30,105
Other Governmental Cost Funds	—	5,458,702	\$1,919	5,460,621	—	—	—	24,774	—	5,485,395
Total Governmental Cost Funds	\$41,726,182	\$10,314,229	\$1,919	\$52,042,330	\$49,324	\$18,400	—	\$3,408,494	—	\$55,518,548
Selected Bond Funds	—	—	217,415	217,415	—	—	—	\$92,099	\$804	810,318
Total Governmental Cost Funds and Selected Bond Funds	\$41,726,182	\$10,314,229	\$219,334	\$52,259,745	\$49,324	\$18,400	—	\$4,000,593	\$804	\$56,328,866
Nongovernmental Cost Funds										
Public Service Enterprise Funds	—	—	\$2,411	\$2,411	\$3,224,791	—	—	\$2,257,465	—	\$5,484,667
Working Capital and Revolving Funds	—	\$12,964	22,781	35,745	904,175	\$586,857	—	—965	—	1,525,812
Bond Funds—Other	—	—	—	—	—	—	—	30,140	—	30,140
Trust and Agency Funds:										
Retirement Funds	—	—	—	—	—	—	\$7,294,131	67	—	7,294,198
Trust and Agency Funds—Federal	—	24,845,964	—	24,845,964	—	—	—	3,920,133	\$4,195,950	32,962,047
Trust and Agency Funds—Other	—	164,409	120	164,529	44,707	—	—	2,896,451	—	3,105,687
Other Nongovernmental Cost Funds	—	—	—	—	—	—	—	—	15,809,941	15,809,941
Total Nongovernmental Cost Funds	—	\$25,023,337	\$25,312	\$25,048,649	\$4,173,673	\$586,857	\$7,294,131	\$9,103,291	\$20,005,891	\$66,212,492
TOTAL SPENDING, ALL FUNDS	\$41,726,182	\$35,337,566	\$244,646	\$77,308,394	\$4,222,997	\$605,257	\$7,294,131	\$13,103,884	\$20,006,695	\$122,541,358

SCHEDULE 4A
PERSONNEL YEARS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(dollars in thousands)

	<i>Personnel Years</i>			<i>Dollars</i>		
	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>
Legislative/Judicial/Executive						
Legislative.....	590.9	593.5	593.5	\$28,376	\$31,708	\$33,606
Judicial.....	936.9	990.9	1,076.8	61,443	64,846	73,620
Executive.....	10,959.5	12,111.5	12,227.6	458,874	529,065	541,752
State and Consumer Services.....	12,351.1	13,619.8	13,237.4	455,336	512,834	508,071
Business, Transportation and						
Housing.....	38,005.5	38,258.1	38,845.6	1,590,927	1,650,585	1,716,163
Trade and Commerce.....	202.8	242.2	325.6	8,614	11,048	14,775
Resources.....	13,813.4	14,276.4	13,997.7	563,943	608,826	604,804
California Environmental						
Protection Agency.....	3,998.3	4,382.4	4,452.3	176,702	199,220	212,368
Health and Welfare.....	40,622.7	41,259.7	40,638.4	1,523,898	1,600,306	1,625,018
Youth and Adult						
Correctional Agency.....	35,167.7	40,559.9	44,390.3	1,673,039	1,831,052	2,073,104
Education						
Education.....	2,372.2	2,539.8	2,563.3	93,740	105,619	109,598
Higher Education.....	91,716.5	85,892.5	85,906.4	3,590,382	3,644,664	3,663,745
General Government						
General Administration.....	14,297.0	15,416.0	15,492.9	546,744	630,705	657,894
NET TOTALS, SALARIES						
AND WAGES.....	265,034.5	270,142.7	273,747.8	\$10,772,018	\$11,420,478	\$11,834,518
<i>Position Classification</i>						
Constitutional Officers.....	125.6	127.0	127.0	\$7,973	\$9,890	\$11,412
Statutory.....	256.7	271.0	271.0	25,252	27,576	27,633
Civil Service.....	171,391.6	181,981.1	185,643.5	7,062,035	7,629,561	8,042,781
Exempt						
Various Departments.....	2,149.2	2,561.3	2,504.0	121,763	145,893	145,134
Higher Education						
University of California.....	54,416.6	52,872.6	52,872.6	2,181,649	2,192,303	2,192,303
State University.....	36,473.8	32,106.6	32,106.6	1,362,241	1,404,019	1,404,019
Hastings College of the Law ..	221.0	223.1	223.1	11,105	11,236	11,236
NET TOTALS, SALARIES						
AND WAGES.....	265,034.5	270,142.7	273,747.8	\$10,772,018	\$11,420,478	\$11,834,518

SCHEDULE 4B
POSITIONS AND SALARY COST ESTIMATES
(Excludes Staff Benefits)
(dollars in thousands)

	<i>Personnel Years</i>			<i>Dollars</i>		
	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>
Legislative/Judicial/Executive						
Legislative	590.9	594.5	594.5	\$28,376	\$32,290	\$34,188
Judicial	936.9	1,065.7	1,102.2	61,443	69,616	79,275
Executive.....	10,959.5	12,695.1	12,813.9	458,874	553,239	569,791
State and Consumer Services.....	12,351.1	14,252.8	13,864.1	455,336	535,880	531,867
Business, Transportation and						
Housing	38,005.5	40,751.6	40,934.1	1,590,927	1,784,369	1,840,034
Trade and Commerce.....	202.8	254.7	342.4	8,614	11,614	15,527
Resources	13,813.4	15,000.5	14,665.5	563,943	636,896	632,812
California Environmental						
Protection Agency	3,998.3	4,661.0	4,726.2	176,702	214,662	224,483
Health and Welfare	40,622.7	43,927.2	43,444.7	1,523,898	1,698,978	1,734,537
Youth and Adult Correctional						
Agency	35,167.7	42,584.6	46,675.1	1,673,039	1,924,745	2,179,582
Education						
Education.....	2,372.2	2,712.1	2,734.4	93,740	112,810	116,918
Higher Education.....	91,716.5	88,942.0	88,957.5	3,590,382	3,769,457	3,788,610
General Government						
General Administration	14,297.0	15,956.2	15,991.9	546,744	653,738	679,443
TOTALS, SALARIES AND						
WAGES	265,034.5	283,398.0	286,846.5	\$10,772,018	\$11,998,294	\$12,427,067
Less Salary Savings.....	-	-13,255.3	-13,098.7	-	-577,816	-592,549
NET TOTALS, SALARIES						
AND WAGES	265,034.5	270,142.7	273,747.8	\$10,772,018	\$11,420,478	\$11,834,518

SCHEDULE 5
SUMMARY OF STATE POPULATION, EMPLOYEES, AND EXPENDITURES

Year	Population ¹ (Thousands)	Employees	Employees Per 1,000 Population	Personal Income (Billions)	Revenue		Expenditures		Expenditures per Capita		Expenditures per \$100 of Personal Income	
					General Fund	Total	General Fund ²	Total ³	General Fund ²	Total ³	General Fund ²	Total ³
					(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)	(Millions)
1950-51.....	10,643	61,000	5.7	\$19.8	\$672	\$994	\$587	\$1,006	\$55.15	\$94.52	\$2.96	\$5.08
1951-52.....	11,130	63,860	5.7	22.8	734	1,086	635	1,068	57.05	95.96	2.79	4.68
1952-53.....	11,638	65,720	5.6	25.4	774	1,151	714	1,177	61.35	101.13	2.81	4.63
1953-54.....	12,101	69,928	5.8	27.2	798	1,271	809	1,381	66.85	114.12	2.97	5.08
1954-55.....	12,517	74,099	5.9	28.1	879	1,434	852	1,422	68.07	113.61	3.03	5.06
1955-56.....	13,004	77,676	6.0	30.9	1,005	1,578	923	1,533	70.98	117.89	2.99	4.96
1956-57.....	13,581	88,299	6.5	33.8	1,079	1,834	1,030	1,732	75.84	127.53	3.05	5.12
1957-58.....	14,177	98,015	6.9	36.4	1,111	1,751	1,147	1,891	80.91	133.39	3.15	5.20
1958-59.....	14,741	101,982	6.9	38.1	1,210	1,925	1,246	1,932	84.53	131.06	3.27	5.07
1959-60.....	15,288	108,423	7.1	41.8	1,491	2,198	1,435	2,086	93.86	136.45	3.43	4.99
1960-61.....	15,863	115,737	7.3	44.2	1,598	2,338	1,678	2,525	105.78	159.18	3.80	5.71
1961-62.....	16,412	122,339	7.5	46.9	1,728	2,451	1,697	2,406	103.40	146.60	3.62	5.13
1962-63.....	16,951	128,981	7.6	50.6	1,866	2,668	1,881	2,703	110.97	159.46	3.72	5.34
1963-64.....	17,530	134,721	7.7	54.2	2,137	3,057	2,064	3,182	117.74	181.52	3.81	5.88
1964-65.....	18,026	143,896	8.0	58.8	2,245	3,295	2,345	3,652	130.09	202.60	3.99	6.22
1965-66.....	18,464	151,199	8.2	62.9	2,509	3,581	2,580	4,059	139.73	219.83	4.10	6.45
1966-67.....	18,831	158,404	8.4	68.4	2,895	4,073	3,017	4,659	160.21	247.41	4.41	6.81
1967-68.....	19,175	162,677	8.5	73.8	3,682	4,927	3,273	5,014	170.69	261.49	4.43	6.79
1968-69.....	19,432	171,655	8.8	80.9	4,136	5,450	3,909	5,673	201.16	291.94	4.83	7.01
1969-70.....	19,745	179,583	9.1	88.5	4,330	5,743	4,456	6,302	225.68	319.17	5.04	7.12
1970-71.....	20,039	181,581	9.1	94.9	4,534	5,919	4,854	6,556	242.23	327.16	5.11	6.91
1971-72.....	20,346	181,912	8.9	100.8	5,395	6,897	5,027	6,684	247.08	328.52	4.99	6.63
1972-73.....	20,585	188,460	9.2	110.2	5,780	7,366	5,616	7,422	272.82	360.55	5.10	6.74
1973-74.....	20,869	192,918	9.2	121.6	6,978	8,715	7,299	9,311	349.75	446.16	6.00	7.66
1974-75.....	21,174	203,548	9.6	136.0	8,630	10,405	8,349	10,276	394.30	485.31	6.14	7.56
1975-76.....	21,538	206,361	9.6	149.3	9,639	11,567	9,518	11,452	441.92	531.71	6.37	7.67
1976-77.....	21,936	213,795	9.7	167.4	11,381	13,463	10,467	12,632	477.16	575.86	6.25	7.55
1977-78.....	22,352	221,251	9.9	186.4	13,695	15,962	11,686	14,003	522.82	626.48	6.27	7.51
1978-79.....	22,836	218,530	9.6	213.9	15,219	17,711	16,251	18,745	711.64	820.85	7.60	8.76
1979-80.....	23,257	220,193	9.5	244.7	17,985	20,919	18,534	21,488	796.92	923.94	7.57	8.78
1980-81.....	23,782	225,567	9.5	278.0	19,023	22,104	21,105	24,511	887.44	1,030.65	7.59	8.82
1981-82.....	24,278	228,813	9.4	311.7	20,960	23,601	21,693	25,022	893.53	1,030.65	6.96	8.03
1982-83.....	24,805	228,489	9.2	332.8	21,233	24,291	21,751	25,330	876.88	1,021.17	6.54	7.61
1983-84.....	25,337	226,695	8.9	357.8	23,809	27,626	22,869	26,797	902.59	1,057.62	6.39	7.49
1984-85.....	25,816	229,845	8.9	397.4	26,536	31,570	25,722	30,961	996.36	1,199.30	6.47	7.79
1985-86.....	26,403	229,641	8.7	431.4	28,072	33,558	28,841	34,977	1,092.34	1,324.74	6.69	8.11
1986-87.....	27,052	232,927	8.6	463.0	32,519	37,767	31,469	38,079	1,163.28	1,407.62	6.80	8.22
1987-88.....	27,717	237,761	8.6	495.3	32,534	38,773	33,021	40,452	1,191.36	1,459.47	6.67	8.17
1988-89.....	28,393	248,173	8.7	532.4	36,953	43,322	35,897	44,634	1,264.29	1,572.01	6.74	8.38
1989-90.....	29,142	254,589	8.7	573.3	38,750	46,453	39,456	48,594	1,353.92	1,667.49	6.88	8.48
1990-91.....	29,976	260,622	8.7	617.7	38,214	47,024	40,264	51,446	1,343.21	1,716.24	6.52	8.33
1991-92.....	30,655	261,713	8.5	634.9	42,026	53,117	43,327	56,280	1,413.37	1,835.92	6.82	8.86
1992-93.....	31,306	260,939	8.3	667.3	40,946	52,526	40,948	56,480	1,307.99	1,804.13	6.14	8.46
1993-94.....	31,746	265,035	8.3	683.0	40,095	52,384	38,958	53,083	1,227.18	1,672.12	5.70	7.77
1994-95.....	32,140	270,143	8.4	711.8	42,353	54,588	41,693	55,142	1,297.23	1,715.68	5.86	7.75
1995-96.....	32,799	273,748	8.3	758.8	42,538	56,058	41,726	56,329	1,272.17	1,717.40	5.50	7.42

¹ Population as of July 1, the beginning of the fiscal year.

² Includes Special Accounts in General Fund from 1973-74 to 1976-77.

³ Expenditures include payments from General Fund, Special Funds and Selected Bond Funds beginning in 1963-64.

**Schedule 6
GENERAL FUND
ANALYSIS OF CHANGE IN RESERVES AS OF JUNE 30, 1995
FROM THE PREVIOUS GOVERNOR'S BUDGET
(In Thousands)**

<i>DETAIL OF CHANGES</i>	<i>1994-95 Governor's Budget (previous estimate)</i>	<i>1995-96 Governor's Budget (revised estimate)</i>	<i>Effect of Changes on Reserves</i>
<i>1993-94 Fiscal Year</i>			
<i>(From previous Governor's Budget to the current Governor's Budget)</i>			
Prior year resources available.....	\$511,095	\$543,524	\$32,429
Revenues and Transfers:			
Revenues.....	39,178,687	39,603,511	424,824
Transfers and Loans.....	564,578	491,918	- 72,660
Totals, Revenues and Transfers.....	\$39,743,265	\$40,095,429	\$352,164
Loan Repayments.....	- 1,600,000	- 1,600,000	-
Expenditures:			
State Operations.....	10,316,242	9,822,381	493,861
Local Assistance.....	29,031,186	29,074,505	- 43,319
Unclassified.....	-	61,036	- 61,036
Totals, Expenditures.....	\$39,347,428	\$38,957,922	\$389,506
<i>1994-95 Fiscal Year</i>			
<i>(From previous Governor's Budget to the current Governor's Budget)</i>			
Revenues and Transfers:			
Revenues.....	\$39,290,397	\$41,981,288	\$2,690,891
Transfers and Loans.....	138,234	371,327	233,093
Other Additions.....	1,700,000	-	- 1,700,000
Totals, Revenues and Transfers and Other Additions.....	\$41,128,631	\$42,352,615	\$1,223,984
Deficit Elimination Plan.....	-	1,025,000	1,025,000
Loan Repayments.....	- 1,200,000	- 1,200,000	-
Expenditures:			
State Operations.....	11,274,091	11,181,098	92,993
Capital Outlay.....	25,211	16,678	8,533
Local Assistance.....	27,488,752	30,495,137	- 3,006,385
Totals, Expenditures.....	\$38,788,054	\$41,692,913	- \$2,904,859
Total Effect of Changes on Reserves.....			118,224
TOTAL CHANGES			
Changes in Reserves:			
Special Fund for Economic Uncertainties.....	\$54,610	\$284,696	\$230,086
Reserve for Proposition 98.....	-	51,045	51,045
Reserve for Encumbrances.....	392,899	229,992	- 162,907
Total Fund Balance, June 30, 1995.....	\$447,509	\$565,733	\$118,224

Schedule 7
GENERAL FUND
(in thousands)
STATEMENT OF FINANCIAL CONDITION
June 30, 1994

General Fund Balances		General Fund Balances	
ASSETS		LIABILITIES	
Cash in State Treasury and agency accounts.....	\$153,119	Accounts payable.....	\$724,082
Receivables.....	127,229	Notes payable (RAW).....	3,200,000
Due from other funds.....	8,864,807	Due to other funds.....	5,558,626
Due from other governments.....	53,469	Due to other governments.....	897,303
Advances to other funds.....	2,851	Accrued interest payable.....	4,379
Prepaid expenses.....	54,209	Advance collections.....	17,364
Other assets.....	1,089	Deposits.....	980
TOTAL OPERATING ASSETS.....	\$9,256,773	Other liabilities.....	60,508
		Total Liabilities.....	\$10,463,242
		FUND BALANCE	
		Reserved for Encumbrances.....	\$293,994
		Designated for Unencumbered Balances of Continuing Appropriations.....	51,171
		Special Fund for Economic Uncertainties.....	-
		Reserved for Article XVI, Section 8 of the State Constitution (Proposition 98).....	210,493
		Unreserved-Undesignated Available for Appropriation.....	(- 1,762,127)
		TOTAL FUND BALANCE.....	(- \$1,206,469) ¹
LONG-TERM OBLIGATIONS			
General obligation bonds.....	\$18,398,513	Controller's Preliminary Report.....	- \$1,206,469
Less: self-liquidating bonds.....	3,971,865	Department of Finance adjustments:	
Net general bonded debt.....	\$14,426,648	Deficit elimination plan.....	1,200,000
Interest payable in future years.....	8,501,797	Encumbrance adjustment-Special Funds.....	- 64,000
Net Total Long-Term Obligations.....	\$22,928,445	Department of Health Services (Medicare)-prior year adjustment.....	+ 50,000
		Department of Developmental Services (Medicaid)-prior year adjustment.....	+ 72,000
		Department of Health Services (Medicare)-1993/94 adjustment to financial statements.....	+ 160,000
		Department of Mental Health-prior year adjustment.....	- 17,500
		Proposition 98-prior year adjustment.....	- 113,000
		Adjusted Fund Balance per Schedule 1.....	\$81,031

¹ The total fund balance of - \$1,206,469 shown in the Statement of Financial Operations prepared by the State Controller differs from the Fund Balance of \$81,031 shown in the Schedule 1 (General Budget Summary) because of adjustments identified after the issuance of the State Controller's Preliminary Annual Report. These adjustments are summarized in the following table.

¹ The total fund balance of - \$1,206,469 shown in the Statement of Financial Operations prepared by the State Controller differs from the Fund Balance of \$81,031 shown in the Schedule 1 (General Budget Summary) because of adjustments identified after the issuance of the State Controller's Preliminary Annual Report. These adjustments are summarized in the following table.

Schedule 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1993-94, 1994-95, AND 1995-96
(dollars in thousands)

Sources	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
MAJOR TAXES AND LICENSES									
Excise Tax on Beer and Wine	144,000	—	144,000	145,000	—	145,000	141,000	—	141,000
Excise Tax on Distilled Spirits	132,000	—	132,000	129,000	—	129,000	129,000	—	129,000
Bank and Corporation (Income) Taxes	4,734,000	53,474	4,787,474	5,525,000	9,950	5,534,950	4,800,000	1,000	4,801,000
Cigarette Tax	179,423	485,806	665,229	171,500	482,200	653,700	166,300	467,700	634,000
Horse Racing Revenues	79,285	38,811	118,096	75,003	37,790	112,793	71,000	37,612	108,612
Inheritance Tax	552,000	—	552,000	529,000	—	529,000	552,000	—	552,000
Insurance Gross Premiums Tax	1,197,000	—	1,197,000	967,000	—	967,000	1,252,000	—	1,252,000
Trailer Coach License (In-Lieu) Fees	27,940	8,198	36,138	36,400	—	36,400	36,300	—	36,300
Motor Vehicle License (In-Lieu) Fees	—	2,969,134	2,969,134	—	3,050,300	3,050,300	—	3,103,900	3,103,900
Motor Vehicle Fuel Tax (Gasoline)	—	2,210,601	2,210,601	—	2,351,473	2,351,473	—	2,369,178	2,369,178
Motor Vehicle Fuel Tax (Diesel)	—	314,910	314,910	—	348,326	348,326	—	365,047	365,047
Motor Vehicle Registration	—	1,496,221	1,496,221	—	1,564,330	1,564,330	—	1,622,830	1,622,830
Personal Income Tax	17,590,000	—	17,590,000	18,485,000	—	18,485,000	19,490,000	—	19,490,000
Retail Sales and Use Tax-Realignment	—	1,401,612	1,401,612	—	1,517,600	1,517,600	—	1,597,100	1,597,100
Retail Sales and Use Taxes	13,912,000	891,021	14,803,021	14,804,000	165,462	14,969,462	14,947,000	904,220	15,851,220
TOTALS, MAJOR TAXES AND LICENSES	38,547,648	9,869,788	48,417,436	40,866,903	9,527,431	50,394,334	41,584,600	10,468,587	52,053,187
MINOR REVENUES									
REGULATORY TAXES AND LICENSES									
General Fish and Game Taxes	—	1,603	1,603	—	1,661	1,661	—	1,475	1,475
Electrical Energy Tax	—	40,691	40,691	—	41,912	41,912	—	42,750	42,750
Quarterly Public Util Commission Fees	—	75,882	75,882	—	73,904	73,904	—	74,452	74,452
Liquor License Fees	—	35,703	35,703	—	32,790	32,790	—	33,045	33,045
Genetic Disease Testing Fees	—	39,110	39,110	—	49,356	49,356	—	58,989	58,989
Other Regulatory Taxes	8,172	46,395	54,567	10,217	54,543	64,760	10,182	56,471	66,653
General Fish and Game Lic Tags Permits	—	64,926	64,926	—	64,338	64,338	—	68,446	68,446
Other Regulatory Licenses and Permits	35,558	215,561	251,119	45,132	229,114	274,246	30,054	240,367	270,421
Universal Telephone Service Tax	-750	—	-750	—	—	—	—	—	—
Other	63,468	993,448	1,056,916	67,853	1,044,500	1,112,353	68,593	1,077,363	1,145,956
TOTALS	106,448	1,513,319	1,619,767	123,202	1,592,118	1,715,320	108,829	1,653,358	1,762,187
REVENUE FROM LOCAL AGENCIES									
Trial Court Revenues	303,071	—	303,071	311,000	—	311,000	—	—	—
Architecture Public Building Fees	—	28,730	28,730	—	26,400	26,400	—	26,800	26,800
Penalties on Traffic Violations	—	79,605	79,605	—	89,772	89,772	—	95,874	95,874
Rev Local Govt Agencies-Cost Recoveries	2,728	—	2,728	2,625	160	2,785	2,363	200	2,563
Other	6,079	38,625	44,704	9,116	45,655	54,771	9,604	47,744	57,348
TOTALS	311,878	146,960	458,838	322,741	161,987	484,728	11,967	170,618	182,585
SERVICES TO THE PUBLIC									
Pay Patients Board Charges	29,545	—	29,545	24,000	—	24,000	22,000	—	22,000
State Beach and Park Service Fees	—	47,992	47,992	—	52,900	52,900	—	52,900	52,900
Emergency Telephone Users Surcharge	—	70,971	70,971	—	68,032	68,032	—	68,032	68,032
Receipts From Health Care Deposit Fund	10,099	—	10,099	8,000	—	8,000	8,000	—	8,000
California State University Fees	—	535,646	535,646	—	573,214	573,214	—	574,801	574,801

Schedule 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

Sources	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Personalized License Plates	—	32,767	32,767	—	32,034	32,034	—	31,627	31,627
Other	25,101	97,590	122,691	21,598	102,948	124,546	15,662	113,730	129,392
TOTALS	64,745	784,966	849,711	53,598	829,128	882,726	45,662	841,090	886,752
USE OF PROPERTY AND MONEY									
Income From Pooled Money Investments	153,000	894	153,894	197,000	420	197,420	217,000	319	217,319
Income From Surplus Money Investments	83,541	67,458	150,999	72,501	65,266	137,767	21,001	64,517	85,518
Federal Lands Royalties	—	14,958	14,958	—	16,180	16,180	—	16,180	16,180
Oil & Gas Lease-1% Revenue City/County	111	—	111	90	—	90	85	—	85
Rentals of State Property	6,917	32,713	39,630	6,586	33,518	40,104	6,736	33,239	39,975
State Land Royalties	44,286	14,427	58,713	83,325	—	83,325	91,050	—	91,050
Other	14,997	35,474	50,471	13,662	36,341	50,003	13,820	38,946	52,766
TOTALS	302,852	165,924	468,776	373,164	151,725	524,889	349,692	153,201	502,893
MISCELLANEOUS									
Penalties & Interest on UI & DI Contrib	—	58,851	58,851	—	63,902	63,902	—	65,815	65,815
Sale of Fixed Assets	758	76	834	1,251	75	1,326	4,399	72	4,471
Revenue-Abandoned Property	194,301	—	194,301	160,000	—	160,000	165,000	—	165,000
Miscellaneous Revenue	1,898	67,811	69,709	1,660	69,441	71,101	2,880	231,974	234,854
Penalties & Intst on Personal Income Tx	—	6,523	6,523	—	6,500	6,500	—	6,500	6,500
Other Revenue - Cost Recoveries	54,204	18,199	72,403	58,701	25,285	83,986	26,380	21,236	47,616
Parking Violations	1	114	115	1	110	111	1	110	111
Penalty Assessments	14,419	49,946	64,365	14,792	53,848	68,640	14,792	53,857	68,649
Other	4,359	13,481	17,840	5,275	20,416	25,691	4,470	11,010	15,480
TOTALS	269,940	215,001	484,941	241,680	239,577	481,257	217,922	390,574	608,496
TOTALS, MINOR REVENUES	1,055,863	2,826,170	3,882,033	1,114,385	2,974,535	4,088,920	734,072	3,208,841	3,942,913
TOTALS, REVENUES	39,603,511	12,695,958	52,299,469	41,981,288	12,501,966	54,483,254	42,318,672	13,677,428	55,996,100
TRANSFERS & LOANS									
General Fund	-23,833	22,870	-963	-2,755	1,699	-1,056	-2,472	1,416	-1,056
Attorney General Antitrust Accou	24	-24	—	7,008	-7,008	—	—	—	—
Fingerprint Fees Account	23	-23	—	—	—	—	—	—	—
Emergency Telephone Number Acct	15,040	-15,040	—	—	—	—	—	—	—
Farm Labor Contractors Special A	353	-353	—	—	—	—	—	—	—
Motor Vehicle Insurance Account	—	—	—	—	—	—	—	-2,307	-2,307
Energy Conservation Assistance A	2,736	-2,736	—	—	—	—	—	—	—
Surface Mining and Reclamation A	1,546	-1,546	—	—	—	—	—	—	—
Aeronautics Account STF	369	-369	—	—	—	—	—	—	—
Highway Account, State, STF	30,682	-30,682	—	154,316	-154,316	—	77,000	-77,000	—
Motor Vehicle Account, STF	30,000	-30,000	—	47,400	-47,400	—	35,500	-35,500	—
Transport Planning & Develop Ace	91,500	-91,500	—	—	—	—	—	—	—
Local Airport Loan Account	162	-162	—	—	—	—	—	—	—
New Motor Vehicle Board Account	1,053	-1,053	—	—	—	—	—	—	—
Corporations Fund, State	1,174	-1,174	—	—	—	—	—	—	—
Occupational Lead Poisoning Prev	316	-316	—	—	—	—	—	—	—

COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

Sources	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Tissue Bank License Fund	6	-6	—	—	—	—	—	—	—
Industrial Medicine Fund	1,164	-1,164	—	—	—	—	—	—	—
Childhood Lead Poisoning Prevent	519	-519	—	—	—	—	—	—	—
Alcohol Beverage Control Fund	8,182	-8,182	—	6,480	-6,480	—	6,685	-6,685	—
Export Document Program Fund	47	-47	—	—	—	—	—	—	—
Cal-OSHA Targeted Inspection & C	—	—	—	4,000	-4,000	—	—	—	—
Used Oil Recycling Fund, Califor	864	-864	—	—	—	—	—	—	—
Pesticide Regulation Fund, Dept	449	-449	—	—	—	—	—	—	—
Agricultural Pest Control Resear	2	-2	—	—	—	—	—	—	—
Air Pollution Control Fund	567	-567	—	—	—	—	—	—	—
Alcoholic Beverage Control Appea	320	-320	—	—	—	—	—	—	—
Hospital Building Fund	484	-484	—	—	—	—	—	—	—
Rural Economic Development Fund	289	-289	—	198	-198	—	—	—	—
Water Device Certification Speci	—	—	—	43	-43	—	43	-43	—
Beverage Container Recycling Fun	1,347	-1,347	—	—	—	—	—	—	—
Banking Fund, State	283	-283	—	—	—	—	—	—	—
Vital Record Improvement Account	242	-242	—	—	—	—	—	—	—
Environmental License Plate Fund	539	-539	—	—	—	—	—	—	—
Soil Conservation Fund	340	-340	—	—	—	—	—	—	—
Justice Sexual Habitual Offender	30	-30	—	—	—	—	—	—	—
Health Data & Planning Fund, CA	365	-365	—	—	—	—	—	—	—
Water Fund, California	100	-100	—	—	—	—	—	—	—
Unitary Fund, California	53,794	-53,794	—	10,000	-10,000	—	1,000	-1,000	—
Outer Cont Shelf Land Act Sec 8g	9,782	-9,782	—	15,917	-15,917	—	23,942	-23,942	—
Debt Advisory Commission Fund, C	52	-52	—	—	—	—	—	—	—
Delta Flood Protection Fund	7,236	-7,236	—	—	—	—	—	—	—
Driver Training Penalty Assessme	31,728	-31,728	—	—	—	—	—	—	—
Employment Development Dept Benef	4,000	-4,000	—	—	—	—	—	—	—
Employment Development Contingen	26,427	-26,427	—	33,209	-33,209	—	34,100	-34,100	—
Energy and Resource Fund	573	-573	—	310	-310	—	325	-325	—
Fair and Exposition Fund	593	-593	—	446	-446	—	246	-246	—
Satellite Wagering Account	214	-214	—	2,700	-2,700	—	—	—	—
Waste Discharge Permit Fund	3,141	-3,141	—	—	—	—	—	—	—
Asset Forfeiture Distribution Fu	3,955	-3,955	—	—	—	—	—	—	—
Fire and Arson Training Fund, Ca	13	-13	—	—	—	—	—	—	—
Fisheries Restoration Account	16	-16	—	—	—	—	—	—	—
Genetic Disease Testing Fund	380	-380	—	—	—	—	—	—	—
Hazardous Liquid Pipeline Safety	130	-130	—	—	—	—	—	—	—
Industrial Development Fund	2,500	-2,500	—	—	—	—	—	—	—
Industrial Rel Construction Enfo	12	-12	—	—	—	—	—	—	—
Insurance Fund	901	-901	—	7,221	-7,221	—	—	—	—
Workers' Comp Administration Rev	6	-6	—	—	—	—	—	—	—
Food Safety Account Agriculture	98	-98	—	—	—	—	—	—	—
Environmental Protection Trust Fu	1,230	-1,230	—	—	—	—	—	—	—
Tire Recycling Management Fund,	2,544	-2,544	—	—	—	—	—	—	—
Low-Level Radioactive Waste Disp	—	—	—	500	-500	—	—	—	—
Business Fees Fund, Secty of Sta	4,797	-4,797	—	4,211	-4,211	—	2,624	-2,624	—
Loc Pub Prosecutors & Pub Defend	10	-10	—	—	—	—	—	—	—
Metadone Program Licensing Trus	6	-6	—	—	—	—	—	—	—
Environmental Water Fund	355	-355	—	—	—	—	—	—	—
Off-Highway Vehicle Trust Fund	4,241	-4,241	—	—	—	—	—	—	—
Wetlands Conservation Fd, Wildli	34	-34	—	—	—	—	—	—	—

Schedule 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

Sources	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Peace Officers Training Fund	2,313	-2,313	—	—	—	—	—	—	—
Glass Processing Fee Account	128	-128	—	—	—	—	—	—	—
Residential Care Facility for El	50	-50	—	50	-50	—	—	—	—
Recycling Market Development Rev	415	-415	—	—	—	—	—	—	—
Bay Protection and Toxic Cleanup	198	-198	—	—	—	—	—	—	—
Professional Forester Registrati	2	-2	—	—	—	—	—	—	—
Asbestos Training & Consultant C	22	-22	—	—	—	—	—	—	—
Private Postsecond & Vocation Ed	600	-600	—	—	—	—	—	—	—
Safe Drinking Water Account	68	-68	—	—	—	—	—	—	—
Emergency Medical Services Perso	339	-339	—	—	—	—	—	—	—
Major Risk Insurance Fund	—	-3,366	-3,366	—	-2,134	-2,134	—	—	—
Diesel Emission Reduction Fund	492	-492	—	—	—	—	—	—	—
Oil Spill Prevention & Administr	691	-691	—	—	—	—	—	—	—
Oil Spill Response Trust Fund	2,313	-2,313	—	—	—	—	—	—	—
Athletic Commission Fund	—	—	—	50	-50	—	—	—	—
Pub Sch Plng Design & Constr Rev	97	-97	—	—	—	—	—	—	—
Mine Reclamation Account	50	-50	—	—	—	—	—	—	—
Savings Association Spec Regul	71	-71	—	—	—	—	—	—	—
Seismic Hazard Identification Fu	28	-28	—	—	—	—	—	—	—
School Land Bank Fund	449	-449	—	—	—	—	—	—	—
Disaster Relief Fund	78,099	-78,099	—	—	—	—	—	—	—
Integrated Waste Management Acct	598	-598	—	—	—	—	—	—	—
Parks and Rec Acct, St, Parks &	682	-682	—	—	—	—	—	—	—
Self-Insurance Plans Fund	370	-370	—	—	—	—	—	—	—
State Police Fund, California	141	-141	—	—	—	—	—	—	—
Strong Motion Instrumentation Sp	145	-145	—	—	—	—	—	—	—
Teacher Credentials Fund	200	-200	—	—	—	—	—	—	—
Test Development and Admtn Acct,	71	-71	—	—	—	—	—	—	—
Victim Witness Assistance Fund	39	-39	—	—	—	—	—	—	—
Air Toxics Inventory and Assessm	12	-12	—	—	—	—	—	—	—
Solid Waste Disp Site Cleanup & Ma	44	-44	—	—	—	—	—	—	—
Underground Storage Tank Cleanup	7,725	-7,725	—	—	—	—	—	—	—
Petro Undergrnd Storage Tank Fin	28	-28	—	—	—	—	—	—	—
Olympic Training Account,Califor	324	-324	—	50	-50	—	40	-40	—
Wildlife Restoration Fund	1,055	-1,055	—	—	—	—	—	—	—
Manufactured Home License Fee Ac	5,959	-5,959	—	—	—	—	—	—	—
Elevator Safety Account	2,291	-2,291	—	—	—	—	—	—	—
Pressure Vessel Account	209	-209	—	—	—	—	—	—	—
Mortgage Bd & Tax Credit Alloc F	29	-29	—	—	—	—	—	—	—
Dealers' Record of Sale Acct	1,514	-1,514	—	812	-812	—	—	—	—
Energy Resources Programs Account	10,254	-10,254	—	—	—	—	—	—	—
Narc Assist & Relinquish Crim Of	6	-6	—	—	—	—	—	—	—
Underground Storage Tank Fund	2,082	-2,082	—	—	—	—	—	—	—
Gaming Registration Fee Account	7	-7	—	—	—	—	—	—	—
Energy Tech Research, Dev, & Dem	9	-9	—	—	—	—	—	—	—
Garment Manufacturers Special Ac	109	-109	—	—	—	—	—	—	—
Surface Impoundment Assessment A	831	-831	—	—	—	—	—	—	—
Hazardous Substance Clearing Acc	7,725	-7,725	—	7,725	-7,725	—	7,725	-7,725	—
Armory Discretionary Improvement	150	-150	—	—	—	—	—	—	—
Financial Responsibility Penalty	4,705	-4,705	—	4,705	-4,705	—	4,705	-4,705	—
Boxer's Neurological Examination	—	—	—	240	-240	—	—	—	—
Local Govt Geothermal Resource S	2,012	-2,012	—	—	—	—	—	—	—

Schedule 8
COMPARATIVE STATEMENT OF REVENUES: FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

Sources	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total
Water Resources Development Bond	—	29,413	29,413	—	25,001	25,001	—	27,011	27,011
Harbors and Watercraft Revolving	23,838	—	23,838	34,434	1,500	35,934	—	—	—
Agriculture Building Fund	—	197	197	—	—	—	—	—	—
Rural Predevelopment Loan Fund	—	—	—	—	2,307	2,307	—	207	207
Service Revolving Fund	1,242	—	1,242	—	—	—	—	—	—
Stephen P Teale Data Center Revolving	6,400	—	6,400	—	—	—	—	—	—
Disaster Housing Rehabilitation	21,600	—	21,600	—	—	—	—	—	—
School Building Aid Fund, State	22,489	—	22,489	20,300	—	20,300	20,300	—	20,300
Water Conserv Water Quality Bond F	1,846	—	1,846	1,800	—	1,800	1,800	—	1,800
Clean Water & Reclamation Fnd,19	726	—	726	600	—	600	600	—	600
Displaced Homemaker Emergency Lo	—	—	—	134	—	134	—	—	—
Self-Help Housing Fund	—	—	—	1,100	—	1,100	300	—	300
Superfund Bond Trust Fund	—	11,500	11,500	—	12,809	12,809	—	10,423	10,423
Milk Producers Security Trust Fu	—	1,500	1,500	—	—	—	—	—	—
Mental Health Primary Prevention	581	—	581	—	—	—	—	—	—
Industrial Relations Unpaid Wage	504	—	504	128	—	128	194	—	194
Forest Resources Improvement Fun	3,835	—	3,835	2,845	—	2,845	509	500	1,009
Homeownership Assistance Fund	121	—	121	2,400	—	2,400	850	—	850
Special Deposit Fund	1,980	8,230	10,210	2,000	—	2,000	2,000	—	2,000
Foster Children and Parent Train	—	—	—	750	—	750	848	—	848
Urban Predevelopment Loan Fund	3,000	—	3,000	—	—	—	—	—	—
Toll Bridge Funds, Consolidated	—	7,730	7,730	—	—	—	—	—	—
Adjustment to reconcile to State Controller	-60,647	—	-60,647	—	—	—	—	—	—
TOTALS, TRANSFERS & LOANS	491,918	-407,562	84,356	371,327	-266,409	104,918	218,864	-156,685	62,179
TOTALS, REVENUES AND TRANSFERS	40,095,429	12,288,396	52,383,825	42,352,615	12,235,557	54,588,172	42,537,536	13,520,743	56,058,279

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds
LEGISLATIVE, JUDICIAL, AND EXECUTIVE												
Legislative												
Legislature												
Senate												
State Operations	49,965	1,877	51,842	--	--	51,777	--	51,777	--	--	54,883	--
Assembly												
State Operations	71,418	--	71,418	--	--	73,282	--	73,282	--	--	77,679	--
Totals, Legislature	121,383	1,877	123,260	--	--	125,059	--	125,059	--	--	132,562	--
Contributions to Legislator Retire Fund												
State Operations	758	--	758	--	--	600	--	600	--	--	600	--
Legislative Counsel Bureau												
State Operations	53,029	--	53,029	--	--	54,024	--	54,024	--	--	54,025	--
Totals, Legislative	175,170	1,877	177,047	--	--	179,683	--	179,683	--	--	187,187	--
Judicial												
Judiciary												
State Operations	139,061	250	139,311	--	--	150,563	173	150,736	--	--	170,644	347
Contributions to Judges Retirement Fund												
State Operations	2,153	--	2,153	--	--	2,270	--	2,270	--	--	2,475	--
Local Assistance	36,137	--	36,137	--	--	43,448	--	43,448	--	--	54,821	--
Totals, Contributions to Judges Retirement Fun ..	38,290	--	38,290	--	--	45,718	--	45,718	--	--	57,296	--
Trial Court Funding												
Local Assistance	443,116	--	443,116	--	--	439,202	--	439,202	--	--	1,044,710	--
Totals, Judicial	620,467	250	620,717	--	--	635,483	173	635,656	--	--	1,272,650	347
Executive/Governor												
Governor's Office												
State Operations	4,763	--	4,763	--	--	4,764	--	4,764	--	--	4,764	--
Office of Planning and Research												
State Operations	2,554	433	2,987	--	389	2,999	455	3,454	--	763	2,999	459
Local Assistance	--	--	--	--	-57	--	--	--	--	-90	--	--
Totals, Office of Planning and Research	2,554	433	2,987	--	332	2,999	455	3,454	--	673	2,999	459
Office of Emergency Services												
State Operations	12,642	-8,792	3,850	--	10,969	17,739	-1,660	16,079	--	46,257	15,076	2,757
Local Assistance	45,560	-279	45,281	--	778,121	12,582	35,281	47,863	--	932,608	75,000	13,516
Totals, Office of Emergency Services	58,202	-9,071	49,131	--	789,090	30,321	33,621	63,942	--	978,865	90,076	16,273
Northridge Earthquake												
State Operations	--	--	--	--	--	--	--	--	--	--	60,000	--
Totals, Executive/Governor	65,519	-8,638	56,881	--	789,422	38,084	34,076	72,160	--	979,538	157,839	16,732
Executive/Constitutional Offices												
Total Office of the Lieutenant Governor												
State Operations	1,057	--	1,057	--	--	1,300	--	1,300	--	--	1,300	--

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total
Department of Justice									
State Operations	156,486	47,485	203,971	189,012	55,866	244,878	191,511	59,397	250,908
Local Assistance	9,274	192	9,466	8,692	711	9,403	6,802	711	7,513
Totals, Department of Justice	165,760	47,677	213,437	197,704	56,577	254,281	198,313	60,108	258,421
State Controller									
State Operations	61,625	4,385	66,010	64,344	4,671	69,015	65,323	4,796	70,119
Local Assistance	--	221	221	--	400	400	--	400	400
Totals, State Controller	61,625	4,606	66,231	64,344	5,071	69,415	65,323	5,196	70,519
Department of Insurance									
State Operations	--	94,307	94,307	--	92,921	92,921	--	89,058	89,058
Local Assistance	--	20,900	20,900	--	21,427	21,427	--	21,212	21,212
Totals, Department of Insurance	--	115,207	115,207	--	114,348	114,348	--	110,270	110,270
State Board of Equalization									
State Operations	154,115	12,689	166,804	163,432	15,302	178,734	169,535	18,580	188,115
Capital Outlay	--	--	--	--	--	--	90	--	90
Totals, State Board of Equalization	154,115	12,689	166,804	163,432	15,302	178,734	169,625	18,580	188,205
Total Secretary of State									
State Operations	15,631	13,776	29,407	15,385	16,909	32,294	14,448	20,656	35,104
Local Assistance	5,224	--	5,224	6,124	--	6,124	5,119	--	5,119
Totals, Secretary of State	20,855	13,776	34,631	21,509	16,909	38,418	19,567	20,656	40,223
State Treasurer									
State Operations	3,233	--	3,233	5,038	--	5,038	5,045	--	5,045
California Debt Advisory Commission									
State Operations	--	1,029	1,029	--	1,298	1,298	--	1,333	1,333
California Debt Limit Allocation Commit									
State Operations	--	329	329	--	407	407	--	414	414
Calif Industrial Dev Financing Adv Comm									
State Operations	--	262	262	--	414	414	--	431	431
California Tax Allocation Committee									
State Operations	--	1,166	1,166	--	1,535	1,535	--	1,600	1,600
Local Assistance	--	216	216	--	216	216	--	216	216
Totals, California Tax Allocation Committee	--	1,382	1,382	--	1,751	1,751	--	1,816	1,816
Totals, Executive/Constitutional Offices	406,645	196,957	603,602	453,327	212,077	665,404	459,173	218,804	677,977
TOTALS, LEGISLATIVE, JUDICIAL, AND EXECUTIVE	1,267,801	190,446	1,458,247	1,306,577	246,326	1,552,903	2,076,849	235,883	2,312,732
State Operations	728,490	169,196	897,686	796,529	188,291	984,820	890,307	199,828	1,090,135
Local Assistance	539,311	21,250	560,561	510,048	58,035	568,083	1,186,452	36,055	1,222,507
Capital Outlay	--	--	--	--	--	--	90	--	90

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds
STATE AND CONSUMER SERVICES												
Secretary for State and Consumer Service												
State Operations	730	--	730	--	--	724	--	724	--	--	724	--
Museum of Science and Industry	4,573	2,096	6,669	--	--	5,613	2,161	7,774	--	--	5,613	2,181
State Operations	--	--	--	3,090	--	--	--	--	11,909	--	--	--
Capital Outlay												
Totals, Museum of Science and Industry	4,573	2,096	6,669	3,090	--	5,613	2,161	7,774	11,909	--	5,613	2,181
California Afro-American Museum	823	--	823	--	--	--	--	--	--	--	--	--
State Operations												
Totals, Museum of Science and Industry	5,396	2,096	7,492	3,090	--	5,613	2,161	7,774	11,909	--	5,613	2,181
Dept of Consumer Affairs-Regulatory Bds												
Board of Accountancy	--	7,538	7,538	--	--	--	9,308	9,308	--	--	--	9,680
State Operations	--	3,605	3,605	--	--	--	3,891	3,891	--	--	--	3,855
Board of Architectural Examiners	--	819	819	--	--	916	35	951	--	--	676	273
State Operations	--	71,434	71,434	--	--	--	--	--	--	--	--	--
Bureau of Automotive Repair	--	6,680	6,680	--	--	--	9,195	9,195	--	--	--	9,244
State Operations	--	4,570	4,570	--	--	--	4,774	4,774	--	--	--	4,537
Board of Behavioral Science Examiners	--	331	331	--	--	--	218	218	--	--	--	419
State Operations	--	4,754	4,754	--	--	--	--	--	--	--	--	--
Private Investigators and Adjustors	--	33,234	33,234	--	--	--	37,983	37,983	--	--	--	38,801
State Operations	--	4,631	4,631	--	--	--	5,385	5,385	--	--	--	5,980
Cemetery Board	--	964	964	--	--	--	1,010	1,010	--	--	--	1,053
State Operations	--	1,346	1,346	--	--	--	--	--	--	--	--	--
Private Investigators and Adjustors	--	706	706	--	--	--	497	497	--	--	--	922
State Operations	--	507	507	--	--	--	669	669	--	--	--	781
Board of Guide Dogs for the Blind	36	--	36	--	--	--	48	48	--	--	--	47
State Operations	--	2,507	2,507	--	--	--	--	--	--	--	--	--
Bureau of Home Furnish & Thermal Insula	--	525	525	--	--	--	505	505	--	--	--	500
State Operations												
Board of Landscape Architects												
State Operations												

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds
Medical Board of California	--	29,149	29,149	--	--	--	32,523	32,523	--	--	--	33,313
State Operations	--	29,149	29,149	--	--	--	32,523	32,523	--	--	--	33,313
Acupuncture Examining Committee	--	888	888	--	--	--	899	899	--	--	--	1,139
State Operations	--	888	888	--	--	--	899	899	--	--	--	1,139
Hearing Aid Dispensers Examining Committ	--	472	472	--	--	--	483	483	--	--	--	498
State Operations	--	472	472	--	--	--	483	483	--	--	--	498
Physical Therapy Examining Committee	--	970	970	--	--	--	1,003	1,003	--	--	--	1,172
State Operations	--	970	970	--	--	--	1,003	1,003	--	--	--	1,172
Physicians Assistant Examining Committee	--	593	593	--	--	--	716	716	--	--	--	731
State Operations	--	593	593	--	--	--	716	716	--	--	--	731
Podiatric Medicine, Board of	--	820	820	--	--	--	992	992	--	--	--	988
State Operations	--	820	820	--	--	--	992	992	--	--	--	988
Psychology, Board of	--	2,411	2,411	--	--	--	2,671	2,671	--	--	--	2,781
State Operations	--	2,411	2,411	--	--	--	2,671	2,671	--	--	--	2,781
Respiratory Care Examining Committee	--	1,468	1,468	--	--	--	1,525	1,525	--	--	--	1,668
State Operations	--	1,468	1,468	--	--	--	1,525	1,525	--	--	--	1,668
Speech-Language Pathology & Audiology Exam	--	240	240	--	--	--	309	309	--	--	--	313
State Operations	--	240	240	--	--	--	309	309	--	--	--	313
Board of Examiners of Nursing Home Admin	--	493	493	--	--	--	521	521	--	--	--	591
State Operations	--	493	493	--	--	--	521	521	--	--	--	591
Board of Optometry	--	791	791	--	--	--	893	893	--	--	--	1,021
State Operations	--	791	791	--	--	--	893	893	--	--	--	1,021
Board of Pharmacy	--	4,136	4,136	--	--	--	4,962	4,962	--	--	--	4,778
State Operations	--	4,136	4,136	--	--	--	4,962	4,962	--	--	--	4,778
Bd of Reg for Prof Engineer & Lnd Survy	--	5,789	5,789	--	--	--	6,065	6,065	--	--	--	6,067
State Operations	--	5,789	5,789	--	--	--	6,065	6,065	--	--	--	6,067
Board of Registered Nursing	--	10,502	10,502	--	--	--	12,123	12,123	--	--	--	13,221
State Operations	--	10,502	10,502	--	--	--	12,123	12,123	--	--	--	13,221
Court Reporters Board of California	--	753	753	--	--	--	903	903	--	--	--	848
State Operations	--	753	753	--	--	--	903	903	--	--	--	848
Structural Pest Control Board	--	2,550	2,550	--	--	--	2,880	2,880	--	--	--	3,029
State Operations	--	2,550	2,550	--	--	--	2,880	2,880	--	--	--	3,029
Tax Preparers Program	--	816	816	--	--	--	--	--	--	--	--	--
State Operations	--	816	816	--	--	--	--	--	--	--	--	--
Bd of Examiners for Veterinary Medicine	--	958	958	--	--	--	986	986	--	--	--	1,042
State Operations	--	958	958	--	--	--	986	986	--	--	--	1,042
Animal Health Technician Examining Comm	--	86	86	--	--	--	95	95	--	--	--	95
State Operations	--	86	86	--	--	--	95	95	--	--	--	95
Board of Vocational Nurse Program	--	3,500	3,500	--	--	--	3,755	3,755	--	--	--	3,642
State Operations	--	3,500	3,500	--	--	--	3,755	3,755	--	--	--	3,642
Bd of Psychiatric Technician Program	--	894	894	--	--	--	1,091	1,091	--	--	--	1,112
State Operations	--	894	894	--	--	--	1,091	1,091	--	--	--	1,112
Dept of Consumer Affairs-Admin Services	--	397	397	--	--	--	--	--	--	--	--	--
State Operations	--	397	397	--	--	--	--	--	--	--	--	--
Totals, Dept of Consumer Affairs-Regulatory Bd	36	212,827	212,863	--	--	916	148,913	149,829	--	--	676	154,141
Dept Consumer Affairs-Bureaus,Prog,Div	--	--	--	--	--	--	92,550	92,550	--	--	--	83,036
State Operations	--	--	--	--	--	--	92,550	92,550	--	--	--	83,036

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96						
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds
Capital Outlay	--	--	--	--	--	--	2,400	2,400	--	--	--	--	--	--	--
Totals, Dept Consumer Affairs-Bureaus,Prog,Div	--	--	--	--	--	--	94,950	94,950	--	--	--	83,036	83,036	--	--
Dept of Fair Employment and Housing	9,806	--	9,806	--	2,666	10,198	--	10,198	--	3,952	10,103	--	10,103	--	3,345
State Operations	611	--	611	--	--	669	--	669	--	--	769	--	769	--	--
Fair Employment and Housing Commission	2,835	4,465	7,300	--	274	2,890	5,252	8,142	--	215	2,949	5,777	8,726	--	205
State Operations	245,646	5,575	251,221	--	--	280,367	7,957	288,324	--	--	306,746	8,260	315,006	--	--
Franchise Tax Board	2,976	--	2,976	--	--	3,096	--	3,096	--	--	3,166	--	3,166	--	--
State Operations	--	--	--	--	--	1,244	--	1,244	--	--	327	--	327	--	--
Local Assistance	248,622	5,575	254,197	--	--	284,707	7,957	292,664	--	--	310,239	8,260	318,499	--	--
Capital Outlay	6,408	52,379	58,787	888	--	11,167	50,451	61,618	1,185	30	11,167	49,499	60,666	1,053	30
Totals, Franchise Tax Board	--	59,803	59,803	--	--	--	64,958	64,958	45,479	--	--	64,958	64,958	--	--
State Operations	--	2,465	2,465	3,250	--	3,375	52	3,427	--	--	--	--	--	165,050	--
Local Assistance	6,408	114,647	121,055	4,138	--	14,542	115,461	130,003	46,664	30	11,167	114,457	125,624	166,103	30
Capital Outlay	6,647	--	6,647	--	--	6,910	--	6,910	--	--	5,330	--	5,330	--	--
TOTALS, STATE AND CONSUMER SERVICES	281,091	339,610	620,701	7,228	2,940	327,169	374,694	701,863	58,573	4,197	347,570	367,852	715,422	166,103	3,580
State Operations	278,115	277,342	555,457	888	2,940	319,454	307,284	626,738	1,185	4,197	344,077	302,894	646,971	1,053	3,580
Local Assistance	2,976	59,803	62,779	--	--	3,096	64,958	68,054	45,479	--	3,166	64,958	68,124	--	--
Capital Outlay	--	2,465	2,465	6,340	--	4,619	2,452	7,071	11,909	--	327	--	327	165,050	--
BUSINESS, TRANSPORTATION, AND HOUSING															
Business															
Sec for Business,Transport and Housing	--	621	621	--	--	--	716	716	--	--	--	830	830	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dept of Alcoholic Beverage Control	--	24,465	24,465	--	--	--	27,004	27,004	--	--	--	28,605	28,605	--	--
State Operations	--	--	--	--	--	--	2,400	2,400	--	--	--	1,500	1,500	--	--
Local Assistance	--	24,465	24,465	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Dept of Alcoholic Beverage Control	--	24,465	24,465	--	--	--	29,404	29,404	--	--	--	30,105	30,105	--	--
Alcoholic Beverage Control Appeals Bd	--	426	426	--	--	--	572	572	--	--	--	533	533	--	--
State Operations	--	15,258	15,258	--	--	--	16,893	16,893	--	--	--	16,738	16,738	--	--
State Banking Department	218	26,851	27,069	--	--	478	28,483	28,961	--	--	-177	36,450	36,273	--	--
State Operations	3,959	5,699	9,658	5,040	3,656	4,423	3,668	8,091	5,255	3,856	4,424	3,639	8,063	3,813	3,809
Dept of Housing & Community Development															
State Operations															

BUSINESS, TRANSPORTATION, AND HOUSING

Business

See for Business,Transport and Housing

State Operations

Dept of Alcoholic Beverage Control

State Operations

Local Assistance

Totals, Dept of Alcoholic Beverage Control

Alcoholic Beverage Control Appeals Bd

State Operations

State Banking Department

State Operations

Dept of Corporations

State Operations

Dept of Housing & Community Development

State Operations

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total
Local Assistance	4,484	--	4,484	7,104	--	7,104	5,604	--	5,604
Totals, Dept of Housing & Community Dev	8,443	5,699	14,142	11,527	3,668	15,195	10,028	3,639	13,667
Office of Real Estate Appraisers	--	2,999	2,999	--	3,448	3,448	--	3,799	3,799
State Operations	--	23,646	23,646	--	27,443	27,443	--	27,528	27,528
Dept of Real Estate	--	384	384	--	394	394	--	458	458
State Operations	--	100,349	100,349	--	111,021	111,021	--	120,080	120,080
Totals, Business	8,661	100,349	109,010	12,005	111,021	123,026	9,851	120,080	129,931
Transportation	--	1,125	1,125	--	1,331	1,331	--	1,372	1,372
California Transportation Commission	--	1,125	1,125	--	1,331	1,331	--	1,372	1,372
State Operations	--	1,125	1,125	--	1,331	1,331	--	1,372	1,372
Local Assistance	--	54,300	54,300	--	61,650	61,650	--	86,000	86,000
Totals, California Transportation Commission	--	1,125	1,125	--	1,331	1,331	--	1,372	1,372
Special Transportation Programs	--	1,436,732	1,436,732	--	1,392,765	1,392,765	--	1,382,109	1,382,109
Local Assistance	--	256	256	--	9,964	9,964	--	10,445	10,445
Dept of Transportation	--	262,896	262,896	--	330,780	330,780	--	267,387	267,387
State Operations	--	112,060	112,060	--	71,875	71,875	--	107,324	107,324
Local Assistance	--	4,032	4,032	--	4,032	4,032	--	26,500	26,500
State-Mandated Local Programs	--	379,244	379,244	129	416,651	416,780	--	385,156	385,156
Totals, Local Assistance	--	408,041	408,041	--	335,399	335,399	--	900,683	900,683
Capital Outlay	--	2,224,017	2,224,017	129	2,144,815	2,144,944	--	2,667,948	2,667,948
Totals, Dept of Transportation	--	312	312	--	328	328	--	332	332
Office of Traffic Safety	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Local Assistance	--	312	312	--	328	328	--	332	332
Totals, Office of Traffic Safety	--	612,182	612,182	--	648,034	648,034	--	688,941	688,941
Dept of the California Highway Patrol	--	20,918	20,918	--	20,131	20,131	--	10,004	10,004
State Operations	--	633,100	633,100	526	668,165	668,691	--	698,945	698,945
Local Assistance	--	480,725	480,725	60	488,996	489,056	60	521,901	521,961
Capital Outlay	--	312	312	--	328	328	--	332	332
Totals, Dept of the California Highway Patrol	--	633,100	633,100	526	668,165	668,691	--	698,945	698,945
Department of Motor Vehicles	60	480,725	480,785	60	488,996	489,056	60	521,901	521,961
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
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State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept of Motor Vehicles	--	312	312	--	328	328	--	332	332
State Operations	--	312	312	--	328	328	--	332	332
Totals, Dept									

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds
Capital Outlay	--	10,596	10,596	--	--	--	1,371	1,371	--	--	--	8,214
Totals, Department of Motor Vehicles	60	491,321	491,381	--	151	60	490,367	490,427	--	199	60	530,115
Totals, Transportation	60	3,404,175	3,404,235	303,871	2,023,724	715	3,366,656	3,367,371	422,549	1,998,924	60	3,984,712
Statewide Distributed Costs												
General Obligation Bonds-BT&H												
State Operations	178,640	--	178,640	--	--	244,284	--	244,284	--	--	270,073	--
Totals, Statewide Distributed Costs	178,640	--	178,640	--	--	244,284	--	244,284	--	--	270,073	--
TOTALS, BUSINESS, TRANSPORTATION, AND HOUSING	187,861	3,504,524	3,691,885	315,599	2,139,211	257,004	3,477,677	3,794,681	431,420	2,110,771	279,984	4,104,792
State Operations	182,877	2,631,425	2,814,302	6,003	394,198	249,245	2,640,075	2,869,320	6,147	346,740	274,380	2,713,235
Local Assistance	4,484	433,544	438,028	221,438	525,022	7,759	480,701	488,460	421,993	667,248	5,604	472,656
Capital Outlay	--	439,555	439,555	88,158	1,219,991	--	356,901	356,901	3,280	1,096,783	--	918,901
TRADE AND COMMERCE AGENCY												
Trade and Commerce Agency												
State Operations	27,738	919	28,657	--	807	28,255	1,763	30,018	96	1,243	33,760	1,869
Local Assistance	10,943	-2,624	8,319	--	3,203	7,947	15,814	23,761	-1,122	6,895	10,047	9,648
Totals, Trade and Commerce Agency	38,681	-1,705	36,976	--	4,010	36,202	17,577	53,779	-1,026	8,138	43,807	11,517
TOTALS, TRADE AND COMMERCE AGENCY	38,681	-1,705	36,976	--	4,010	36,202	17,577	53,779	-1,026	8,138	43,807	11,517
State Operations	27,738	919	28,657	--	807	28,255	1,763	30,018	96	1,243	33,760	1,869
Local Assistance	10,943	-2,624	8,319	--	3,203	7,947	15,814	23,761	-1,122	6,895	10,047	9,648
RESOURCES												
Secretary for Resources												
State Operations	1,048	347	1,395	--	192	1,087	1,104	2,191	--	85	1,296	561
Special Resources Program												
State Operations	354	103	457	--	--	354	106	460	--	--	354	102
Local Assistance	819	582	1,401	--	--	819	582	1,401	--	--	819	799
Totals, Special Resources Program	1,173	685	1,858	--	--	1,173	688	1,861	--	--	1,173	901
California Tahoe Conservancy												
State Operations	636	355	991	864	--	784	343	1,127	918	--	1,110	17
Local Assistance	--	2,146	2,146	--	--	--	1,945	1,945	--	--	--	--
Capital Outlay	--	5,344	5,344	4,902	461	--	11,339	11,339	--	--	2,650	483
Totals, California Tahoe Conservancy	636	7,845	8,481	5,766	461	784	13,627	14,411	918	--	5,705	500
California Conservation Corps												
State Operations	26,938	5,655	32,593	--	1,160	30,212	5,841	36,053	--	1,892	27,503	5,841

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96						
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds
Department of Energy and Conservation															
State Operations	--	--	--	--	--	--	--	--	--	--	12,239	23,389	35,628	--	14,267
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	1,475	1,475	--	--
Totals, Department of Energy and Conservation	--	--	--	--	--	--	--	--	--	--	12,239	24,864	37,103	--	14,267
Energy Resources Conservation & Dev Com															
State Operations	--	38,455	38,455	--	21,889	--	36,813	36,813	--	38,071	--	19,923	19,923	--	13,942
Local Assistance	--	949	949	--	--	--	3,050	3,050	--	--	--	1,474	1,474	--	--
Totals, Energy Resources Conserv & Dev Co	--	39,404	39,404	--	21,889	--	39,863	39,863	--	38,071	--	21,397	21,397	--	13,942
Renewable Resources Investment Program															
State Operations	--	1,789	1,789	--	--	--	2,000	2,000	--	--	--	2,000	2,000	--	--
Colorado River Board of California															
State Operations	176	9	185	--	--	209	13	222	--	--	209	14	223	--	--
Department of Conservation															
State Operations	13,698	340,919	354,617	--	1,483	14,723	352,011	366,734	--	1,999	7,410	176,460	183,870	--	328
Local Assistance	--	12	12	--	--	53	3	56	--	--	--	--	--	--	--
Totals, Department of Conservation	13,698	340,931	354,629	--	1,483	14,776	352,014	366,790	--	1,999	7,410	176,460	183,870	--	328
Department of Forestry and Fire Protect															
State Operations	267,253	11,069	278,322	35	3,986	310,618	5,867	316,485	38	6,867	296,296	4,926	301,222	38	6,145
Local Assistance	--	--	--	458	3,295	--	--	--	633	2,072	--	--	--	633	2,072
Capital Outlay	--	1,278	1,278	--	--	--	--	--	575	--	5,750	--	5,750	--	--
Totals, Department of Forestry and Fire Protec ..	267,253	12,347	279,600	493	7,281	310,618	5,867	316,485	1,246	8,939	302,046	4,926	306,972	671	8,217
State Lands Commission															
State Operations	8,714	4,916	13,630	--	--	9,175	5,560	14,735	--	--	4,830	2,424	7,254	--	--
Seismic Safety Commission															
State Operations	602	106	708	914	--	647	--	647	774	--	647	--	647	566	--
Department of Fish and Game															
State Operations	3,062	112,414	115,476	721	21,944	3,143	112,487	115,630	--	28,873	3,139	111,581	114,720	--	29,063
Local Assistance	--	888	888	--	--	--	929	929	--	--	--	1,657	1,657	--	--
Capital Outlay	--	6,268	6,268	--	233	--	3,269	3,269	220	--	--	2,036	2,036	105	120
Totals, Department of Fish and Game	3,062	119,570	122,632	721	22,177	3,143	116,685	119,828	220	28,873	3,139	115,274	118,413	105	29,183
Wildlife Conservation Board															
State Operations	--	1,965	1,965	186	--	--	4,920	4,920	217	--	--	5,891	5,891	3,100	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	5,800	5,800	--	--
Capital Outlay	--	894	894	12,725	--	--	15,942	15,942	27,076	1,280	--	8,674	8,674	--	--
Totals, Wildlife Conservation Board	--	2,859	2,859	12,911	--	--	20,862	20,862	27,293	1,280	--	20,365	20,365	3,100	--
Dept of Boating & Waterways															
State Operations	--	--	--	--	1,572	--	--	--	--	2,930	--	--	--	--	2,399
Local Assistance	--	--	--	--	633	--	--	--	--	3,330	--	--	--	--	1,210
Unclassified	--	23,838	23,838	--	--	--	24,207	24,207	--	--	--	24,745	24,745	--	--
Totals, Dept of Boating & Waterways	--	23,838	23,838	--	2,205	--	24,207	24,207	--	6,260	--	24,745	24,745	--	3,609
California Coastal Commission															
State Operations	4,483	2,001	6,484	--	2,785	4,754	2,045	6,799	--	2,414	6,233	1,276	7,509	--	2,089

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

CALIF ENVIRONMENTAL PROTECTION AGENCY
$$\begin{array}{r} 90 \\ - 90 \\ \hline 8,466 \end{array}$$

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds
Local Assistance	--	7,511	7,511	--	--	--	7,511	7,511	--	--	--	7,511
Totals, State Air Resources Board	--	93,332	93,332	--	7,101	--	97,075	97,075	--	7,910	--	110,783
Calif Integrated Waste Management Board	--	51,034	51,034	--	--	--	54,711	54,711	--	427	--	225,807
State Operations	--	33,047	33,047	--	--	--	19,856	19,856	--	334	--	19,276
Local Assistance	--	84,081	84,081	--	--	--	74,567	74,567	--	761	--	245,083
Totals, Calif Integrated Waste Management Board	--	22,404	30,880	--	1,412	--	8,866	34,292	--	2,284	--	25,247
Department of Pesticide Regulation	8,476	7,486	9,935	--	--	2,449	7,510	9,959	--	6,910	--	6,910
State Operations	2,449	29,890	40,815	--	1,412	11,315	32,936	44,251	--	2,284	--	32,157
Local Assistance	10,925	153,346	181,111	7,171	30,939	29,039	162,009	191,048	8,584	37,945	3,750	177,661
Totals, Department of Pesticide Regulation	27,765	--	--	46,753	93,614	--	--	--	42,600	--	--	--
State Water Resources Control Board	--	153,346	181,111	53,924	124,553	29,039	162,009	191,048	51,184	37,945	37,850	177,661
Local Assistance	27,765	102,639	104,423	9,790	15,112	573	88,042	88,615	3,631	30,370	--	83,537
Department of Toxic Substances Control	1,784	952	4,112	--	--	3,926	1,580	5,506	--	--	--	1,457
State Operations	3,160	--	--	--	--	--	--	--	--	--	--	--
Ofc of Environmental Health Hazard Asmt	--	--	31,707	--	--	34,794	--	34,794	--	--	--	36,633
General Obligation Bonds-Environmental	31,707	--	--	--	--	--	--	--	--	--	--	--
State Operations	75,341	464,930	540,271	63,714	148,885	79,647	455,933	536,580	54,815	79,326	82,139	651,569
Totals, CALIF ENVIRONMENTAL PROTECTION AGENCY	72,892	416,886	489,778	16,961	54,753	77,198	422,056	499,254	12,215	78,992	79,690	617,872
State Operations	2,449	48,044	50,493	46,753	94,132	2,449	34,877	37,326	42,600	334	2,449	33,697
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
HEALTH AND WELFARE	1,059	--	1,059	--	100	1,282	--	1,282	--	--	1,282	--
Secretary for Health and Welfare	--	--	--	--	6,196	--	--	--	--	5,818	--	--
State Council Developmental Disabilities	--	--	--	--	654	1,103	707	1,810	--	794	1,103	749
Emergency Medical Services Authority	927	575	1,502	--	1,650	2,435	--	2,435	--	2,996	2,435	--
State Operations	2,390	--	2,390	--	--	--	--	--	--	--	--	--
Local Assistance	3,317	575	3,892	--	2,304	3,538	707	4,245	--	3,790	3,538	749
Totals, Emergency Medical Services Authority	1,037	28,035	29,072	--	85	897	27,413	28,310	--	367	819	28,829
Office Statewide Health Planning-Develop	2,353	500	2,853	--	272	3,347	--	3,347	--	1,000	2,945	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	3,390	28,535	31,925	--	357	4,244	27,413	31,657	--	1,367	3,764	28,829
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--	--	--	--	--	--	--	--	--	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--	--	--	--
Totals, Office Statewide Health Planning-Develop	--	--</										

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94			Estimated 1994-95			Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds
Department of Aging										
State Operations.....	3,307	--	3,307	--	4,458	3,604	--	3,604	--	4,470
Local Assistance.....	28,675	--	28,675	--	94,366	28,981	--	28,981	--	90,351
Totals, Department of Aging	31,982	--	31,982	--	98,824	32,585	--	32,585	--	94,821
Commission on Aging										
State Operations.....	--	--	--	--	273	--	--	--	--	279
Dept of Alcohol and Drug Programs										
State Operations.....	3,483	2,229	5,712	--	15,636	4,179	1,091	5,270	--	17,744
Local Assistance	--	--	--	--	--	--	--	--	--	--
Alcohol and Other Drug Services Program ...	78,588	--	78,588	--	190,540	78,354	--	78,354	--	174,065
Pilot Project Combined Services Program ...	--	--	--	--	--	--	--	--	--	--
Totals, Local Assistance.....	78,588	--	78,588	--	190,540	78,354	--	78,354	--	174,065
Totals, Dept of Alcohol and Drug Programs	82,071	2,229	84,300	--	206,176	82,533	1,091	83,624	--	191,809
Child Development Pgms Advisory Committ										
State Operations.....	229	--	229	--	--	237	--	237	--	--
Department of Health Services										
State Operations.....	138,109	76,443	214,552	--	224,768	155,650	116,860	272,510	--	246,341
Local Assistance										
Medical Assistance Program	5,549,610	26,924	5,576,534	--	9,466,180	6,047,531	3,583	6,051,114	--	9,388,405
Public Health Services	257,384	321,027	578,411	--	528,541	271,538	291,587	563,125	--	766,464
Totals, Local Assistance.....	5,806,994	347,951	6,154,945	--	9,994,721	6,319,069	295,170	6,614,239	--	10,154,869
Totals, Department of Health Services	5,945,103	424,394	6,369,497	--	10,219,489	6,474,719	412,030	6,886,749	--	10,401,210
California Medical Assistance Commissio										
State Operations.....	767	--	767	--	--	1,116	--	1,116	--	--
Managed Risk Medical Insurance Board										
State Operations.....	--	1,357	1,357	--	--	--	1,503	1,503	--	1,413
Local Assistance.....	--	103,658	103,658	--	--	--	116,239	116,239	--	95,916
Totals, Managed Risk Medical Insurance Board	--	105,015	105,015	--	--	--	117,742	117,742	--	97,329
Total Dept of Developmental Services										
State Operations.....	51,220	4,423	55,643	--	25,145	57,365	233	57,598	--	3,250
Local Assistance.....	526,046	2,148	528,194	--	--	543,676	2,167	545,843	--	32,536
Capital Outlay	--	354	354	--	--	3,046	40	3,086	--	--
Totals, Total Dept of Developmental Services	577,266	6,925	584,191	--	25,145	604,087	2,440	606,527	--	35,786
Total Dept of Mental Health										
State Operations.....	180,083	3,532	183,615	--	1,806	194,042	--	194,042	--	3,304
Local Assistance.....	156,257	500	156,757	--	57,915	121,495	501	121,996	--	61,354
Capital Outlay	--	1,609	1,609	--	--	--	--	--	--	--
Totals, Total Dept of Mental Health	336,340	5,641	341,981	--	59,721	315,537	501	316,038	--	64,658
Totals, Total Dept of Mental Health				--			500	413,259	--	44,067

Schedule 9
COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96						
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds
Department of Economic Opportunity															
State Operations.....	--	--	--	--	9,253	--	--	--	--	10,673	--	--	--	--	9,707
Local Assistance.....	--	--	--	--	106,030	--	--	--	--	157,004	--	--	--	--	96,185
Totals, Department of Economic Opportunity	--	--	--	--	115,283	--	--	--	--	167,677	--	--	--	--	105,892
Employment Development Dept															
State Operations.....	19,793	36,374	56,167	--	703,042	23,994	41,162	65,156	--	724,521	24,233	41,391	65,624	--	710,952
Local Assistance.....	--	--	--	--	5,466,778	--	--	--	--	3,820,773	--	--	--	--	3,711,045
Capital Outlay.....	--	--	--	--	3,170	--	--	--	--	5,200	--	--	--	--	3,812
Totals, Employment Development Dept	19,793	36,374	56,167	--	6,172,990	23,994	41,162	65,156	--	4,550,494	24,233	41,391	65,624	--	4,425,809
Dept of Rehabilitation															
State Operations.....	33,288	--	33,288	--	202,097	35,959	--	35,959	--	217,168	35,951	--	35,951	--	221,395
Local Assistance.....	75,513	--	75,513	--	1,700	71,502	--	71,502	--	4,009	73,245	--	73,245	--	4,009
Capital Outlay.....	--	--	--	--	--	209	--	209	--	404	--	--	--	--	--
Totals, Dept of Rehabilitation	108,801	--	108,801	--	203,797	107,670	--	107,670	--	221,581	109,196	--	109,196	--	225,404
Dept of Social Services															
State Operations.....	93,073	1,714	94,787	--	257,225	92,423	607	93,030	--	293,536	74,230	695	74,925	--	282,773
Local Assistance															
AFDC	2,757,206	--	2,757,206	--	2,874,163	2,858,536	--	2,858,536	--	2,975,910	1,299,126	--	1,299,126	--	2,634,144
Foster Care	266,926	--	266,926	--	340,685	290,801	--	290,801	--	441,714	--	--	--	--	455,115
SSI/SSP	2,083,010	--	2,083,010	--	--	2,056,368	--	2,056,368	--	--	1,636,791	--	1,636,791	--	18,201
Refugee Cash Assistance	--	--	--	--	20,816	--	--	--	--	19,895	--	--	--	--	19,349
County Administration	377,692	--	377,692	--	939,728	446,313	--	446,313	--	1,011,066	491,247	--	491,247	--	1,107,864
Community Care Licensing	2,173	--	2,173	--	8,579	3,355	--	3,355	--	5,220	3,396	--	3,396	--	5,441
Employment Services	102,927	--	102,927	--	170,070	80,150	--	80,150	--	150,330	80,150	--	80,150	--	143,829
Child Welfare Services	185,577	--	185,577	--	382,626	147,722	--	147,722	--	442,910	12,424	--	12,424	--	354,831
Special Programs	18,951	--	18,951	--	32,354	18,926	--	18,926	--	46,575	18,933	--	18,933	--	31,575
Other Programs	277,998	--	277,998	--	363,865	394,609	--	394,609	--	321,130	363,980	--	363,980	--	375,871
Totals, Local Assistance	6,072,460	--	6,072,460	--	5,132,886	6,296,780	--	6,296,780	--	5,414,750	3,906,047	--	3,906,047	--	5,146,220
Totals, Dept of Social Services	6,165,533	1,714	6,167,247	--	5,390,111	6,389,203	607	6,389,810	--	5,708,286	3,980,277	695	3,980,972	--	5,428,993
State-Local Realignment															
Local Assistance	2,145	2,129,995	2,132,140	--	--	--	2,280,640	2,280,640	--	--	--	3,075,831	3,075,831	--	--
General Obligation Bonds-H&W															
State Operations	4,529	--	4,529	--	--	4,605	--	4,605	--	--	4,439	--	4,439	--	--
TOTALS, HEALTH AND WELFARE	13,282,325	2,741,397	16,023,722	--	22,500,766	14,045,350	2,884,333	16,929,683	--	21,472,428	11,388,392	3,679,252	15,067,644	--	21,305,994
State Operations	530,904	154,682	685,586	--	1,450,738	576,456	189,576	766,032	--	1,527,461	592,968	215,699	808,667	--	1,521,461
Local Assistance	12,751,421	2,584,752	15,336,173	--	21,046,858	13,465,639	2,694,717	16,160,356	--	19,939,320	10,795,267	3,463,553	14,258,820	--	19,780,721
Capital Outlay	--	1,963	1,963	--	3,170	3,255	40	3,295	--	5,604	157	--	157	--	3,812
YOUTH AND ADULT CORRECTIONAL AGENCY															
See for Youth and Adult Corrections	780	--	780	--	--	939	--	939	--	--	1,102	--	1,102	--	--
State Operations	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total
Dept of Corrections									
State Operations	2,665,428	--	2,665,428	43,940	258	2,912,402	217	3,293,286	--
Local Assistance									
Transportation of Prisoners	27	--	27	--	--	410	--	410	--
Returning Fugitives	6,201	--	6,201	--	--	2,432	--	2,432	--
Court Costs and County Charges	8,445	--	8,445	--	--	6,597	--	6,597	--
Asst to Counties for Detenin of Parolees	19,597	--	19,597	--	--	21,170	--	14,697	--
Totals, Local Assistance	34,270	--	34,270	--	--	30,609	--	24,136	--
Capital Outlay	--	--	--	78,246	--	--	--	40,940	--
Totals, Dept of Corrections	2,699,698	--	2,699,698	122,186	258	2,943,011	217	3,358,362	--
Board of Corrections									
State Operations	398	1,845	2,243	407	15	2,507	35	2,100	--
Local Assistance	1,036	8,977	10,013	102,860	--	10,736	--	1,102	--
Totals, Board of Corrections	1,434	10,822	12,256	104,271	15	13,243	35	1,509	--
Board of Prison Terms									
State Operations	4,510	--	4,510	--	--	4,659	--	10,445	--
Youthful Offender Parole Board									
State Operations	2,989	--	2,989	--	--	3,149	--	3,147	--
Dept of Youth Authority									
State Operations	320,289	--	320,289	3,759	1,433	342,619	--	354,987	--
Local Assistance									
Transportation of Wards	42	--	42	--	--	92	--	92	--
Gang Risk Intervention Pilot Program	--	--	--	--	--	1,900	--	--	--
Asst to Counties for Detenin of Parolees	2,814	--	2,814	--	--	2,827	--	2,827	--
State-Mandated Local Programs	--	--	--	--	--	20	--	--	--
Regional Youth Education Centers	--	--	--	6,632	--	--	--	--	--
County Correction Facility (Juvenile Facility)	--	--	--	139	--	--	--	--	--
Juvenile Offender Local Prev & Correctn	33,000	--	33,000	--	--	--	--	--	--
County Assist for Protect Serv & Prog	--	--	--	--	--	14,400	--	--	--
Totals, Local Assistance	35,856	--	35,856	6,771	--	19,239	--	2,919	--
Capital Outlay	--	--	--	9,788	--	--	--	--	--
Totals, Dept of Youth Authority	356,145	--	356,145	20,318	1,433	361,858	--	357,906	--
Robert B Prestley Institute									
State Operations	157	--	157	--	--	--	--	--	--
Federal Immigration Funding-Incarceratin									
State Operations	--	--	--	--	--	-33,000	--	-422,119	--
General Obligation Bonds-YAC									
State Operations	317,624	--	317,624	--	--	383,798	--	393,567	--
TOTALS, YOUTH AND ADULT CORRECTIONAL AGENCY	3,383,337	10,822	3,394,159	246,775	1,706	3,677,657	178,134	3,703,919	11,250
State Operations	3,312,175	1,845	3,314,020	49,110	1,706	3,617,073	44,333	3,634,822	2,100
Local Assistance	71,162	8,977	80,139	109,631	--	60,584	77,140	28,157	9,150
Capital Outlay	--	--	--	88,034	--	--	56,661	40,940	--

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	Actual 1993-94			Estimated 1994-95			Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds
EDUCATION										
K thru 12 Education										
Sec fr Child Dev & Education, K-12										
State Operations	1,851	--	1,851	--	--	2,067	--	2,067	--	880
Local Assistance	--	--	--	--	--	--	--	5,000	--	13,000
Totals, Sec fr Child Dev & Education, K-12	1,851	--	1,851	--	--	2,067	--	7,067	--	13,880
Department of Education										
Dept of Education—Headquarters										
State Operations	73,848	3,020	76,868	--	63,225	74,749	3,057	77,181	3,003	80,184
Local Assistance										
Adult Education	425,912	--	425,912	--	--	428,546	--	424,304	--	424,304
Appointments-County Offices	112,202	--	112,202	--	--	114,595	--	145,175	--	145,175
Appointments—District	8,036,810	6,467	8,043,277	--	--	8,344,118	6,467	8,909,678	6,467	8,916,145
Child Development	457,735	--	457,735	--	--	447,726	--	462,450	--	462,450
Child Nutrition	12,052	--	12,052	--	--	11,686	--	11,686	--	11,686
Consolidated Categorical Programs	2,241,713	--	2,241,713	--	126,003	2,296,852	--	2,273,561	--	2,273,561
Drugs and Tobacco Use Prevention Ed	--	21,659	21,659	--	41,752	--	18,446	--	16,528	31,313
Immigration Reform	--	--	--	--	1,090	--	--	--	--	--
Indian Education	366	--	366	--	--	1,126	--	476	--	476
State-Mandated Local Programs	171,100	--	171,100	--	--	161,209	--	117,912	--	117,912
Set-Aside for Long Beach Desegregation	12,068	--	12,068	--	--	30,000	--	--	--	--
Set Aside for Pupil Assessment	--	--	--	--	--	--	--	7,000	--	7,000
K-14 Loan Repayment	--	--	--	--	--	134,970	--	379,026	--	379,026
Special Education	1,645,430	--	1,645,430	--	233,035	1,624,017	--	1,731,400	--	1,731,400
Specialized Instruct & School Improvement	42,049	800	42,849	--	826,481	27,598	800	52,406	800	53,206
Vocational Education	9,272	--	9,272	--	107,502	9,272	--	9,272	--	107,502
Totals, Local Assistance	13,166,709	28,926	13,195,635	--	2,200,006	13,631,715	25,713	14,524,346	23,795	14,548,141
Totals, Dept of Education—Headquarters	13,240,557	31,946	13,272,503	--	2,263,231	13,706,464	28,770	14,601,527	26,798	14,628,325
State Library										
State Operations	10,028	470	10,498	199	2,695	14,104	535	13,947	612	14,559
Local Assistance	22,041	--	22,041	--	12,944	22,308	--	22,308	--	11,901
Totals, State Library	32,069	470	32,539	199	15,639	36,412	535	36,255	612	36,867
Calif State Summer School for the Arts										
State Operations	616	--	616	--	--	638	--	638	--	638
Contributions to Teachers Retire Fund										
Local Assistance	757,832	--	757,832	--	--	824,194	--	845,047	--	845,047
Retirement Costs for Community Colleges										
Local Assistance	-68,205	--	-68,205	--	--	-71,791	--	-73,634	--	-73,634
Calif State Council on Vocational Educ										
State Operations	91	--	91	--	214	94	--	94	--	94
Calif Occupational Infor Coord Committee										
State Operations	--	--	--	--	270	--	--	--	--	283

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COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds
School Facilities Aid Program												
Local Assistance	--	-11,911	-11,911	31,684	427	45,201	-13,145	32,056	98,654	75	--	-10,471
Commission on Teacher Credentialing												
State Operations	--	13,804	13,804	--	--	60	15,010	15,070	--	--	60	16,818
Local Assistance	7,540	1,900	9,440	--	--	4,245	--	4,245	--	--	4,165	--
Totals, Commission on Teacher Credentialing	7,540	15,704	23,244	--	--	4,305	15,010	19,315	--	--	4,225	16,818
General Obligation Bonds-K-12												
State Operations	508,445	--	508,445	--	--	703,649	--	703,649	--	--	756,488	--
Totals, K thru 12 Education	14,480,796	36,209	14,517,005	31,883	2,279,781	15,251,233	31,170	15,282,403	98,859	2,408,043	16,177,707	33,757
Higher Education-Community Colleges												
Bd of Governors of Calif Comm Colleges												
State Operations	9,057	--	9,057	793	84	8,966	--	8,966	892	281	8,907	--
Local Assistance												
Apportionments for Community Colleges	817,443	1,141	818,584	--	--	987,932	1,141	989,073	--	--	1,053,189	1,141
Earthquake carryover (non-Prop 98)	--	--	--	--	--	84	51	135	--	--	--	--
Extended Opportunity Program	42,012	--	42,012	--	--	43,424	--	43,424	--	--	43,798	--
Student Financial Aid Administration	5,097	--	5,097	--	--	5,236	--	5,236	--	--	7,709	--
Disabled Students	34,424	--	34,424	--	--	36,095	--	36,095	--	--	36,095	--
Matriculation	42,575	--	42,575	--	--	43,138	--	43,138	--	--	43,138	--
Support for Academic Senate	452	--	452	--	--	452	--	452	--	--	452	--
Faculty and Staff Diversity	1,859	--	1,859	--	--	1,859	--	1,859	--	--	1,859	--
Faculty and Staff Development	5,233	--	5,233	--	--	5,233	--	5,233	--	--	5,233	--
Instructional Improvement	736	--	736	--	--	736	--	736	--	--	736	--
Economic Development	6,973	--	6,973	--	2,900	6,973	--	6,973	--	4,000	9,073	--
Transfer Education and Articulation	1,843	--	1,843	--	--	1,843	--	1,843	--	--	1,843	--
Underrep. Students/Vocational Training	215	--	215	--	--	220	--	220	--	--	220	--
Deferred Maintenance	8,700	--	8,700	--	--	8,700	--	8,700	--	--	8,700	--
Hazardous Substances	8,000	--	8,000	5,000	--	8,000	--	8,000	5,000	--	8,000	--
AB 449 (Portables LA South-CO--Non-P98)	--	--	--	--	--	428	--	428	--	--	--	--
Foster Parent Training Programs	273	--	273	--	--	337	--	337	--	--	--	--
Instructional Equipment	--	--	--	--	--	8,400	--	8,400	--	--	--	--
State-Mandated Local Programs	1,526	--	1,526	--	--	1,558	--	1,558	--	--	1,603	--
Totals, Local Assistance	977,361	1,141	978,502	5,000	2,900	1,160,648	1,192	1,161,840	5,000	4,000	1,221,648	1,141
Capital Outlay	--	--	--	181,341	--	--	--	--	36,644	--	--	--
Totals, Bd of Governors of Calif Comm Colleges	986,418	1,141	987,559	187,134	2,984	1,169,614	1,192	1,170,806	42,536	4,281	1,230,555	1,141
General Obligation Bonds-Hi Ed-CC												
State Operations	46,598	--	46,598	--	--	57,758	--	57,758	--	--	60,015	--
Retirement Costs-Hi Ed-CC												
Local Assistance	68,205	--	68,205	--	--	71,791	--	71,791	--	--	73,634	--
Totals, Higher Education-Community Colleges	1,101,221	1,141	1,102,362	187,134	2,984	1,299,163	1,192	1,300,355	42,536	4,281	1,364,204	1,141
Higher Education-OC, CSU and Other												
Cal Postsecondary Education Commission												
State Operations	2,403	--	2,403	--	665	2,402	--	2,402	--	811	2,402	--
Totals, Higher Education-Community Colleges	2,403	--	2,403	--	665	2,402	--	2,402	--	811	2,402	--

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COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94			Estimated 1994-95			Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds
Local Assistance.....	--	--	--	--	7,194	238	--	238	--	7,352
Totals, Cal Postsecondary Education Commission	2,403	--	2,403	--	7,859	2,640	--	2,640	--	8,163
Total University of California	1,793,236	11,696	1,804,932	--	3,376,954	1,825,901	19,662	1,845,563	--	3,425,092
State Operations.....	--	--	--	--	--	--	--	--	--	--
Capital Outlay.....	--	--	--	195,667	--	--	--	--	1,280	--
Totals, Total University of California	1,793,236	11,696	1,804,932	195,667	3,376,954	1,825,901	19,662	1,845,563	1,280	3,425,092
Hastings College of Law	--	--	--	--	--	--	--	--	--	--
State Operations.....	11,493	--	11,493	--	--	11,804	--	11,804	--	--
California State University	1,452,289	537,697	1,989,986	-793	240,746	1,599,620	575,047	2,174,667	15,399	234,700
State Operations.....	--	--	--	173,490	--	--	--	--	44,506	--
Capital Outlay.....	--	--	--	--	--	--	--	--	--	--
Totals, California State University	1,452,289	537,697	1,989,986	172,697	240,746	1,599,620	575,047	2,174,667	59,905	234,700
Council for Private Postsecn & Voc Educ	--	2,948	2,948	--	894	--	3,538	3,538	--	975
State Operations.....	--	--	--	--	--	--	--	--	--	--
Student Aid Commission	3,120	--	3,120	--	322,507	3,185	--	3,185	--	320,206
State Operations.....	207,601	--	207,601	--	12,923	226,215	--	226,215	--	13,515
Local Assistance.....	--	--	--	--	--	--	--	--	--	--
Totals, Student Aid Commission	210,721	--	210,721	--	335,430	229,400	--	229,400	--	333,721
General Obligation Bonds-Hi Ed	109,266	--	109,266	--	--	135,853	--	135,853	--	--
State Operations.....	--	--	--	--	--	--	--	--	--	--
Totals, Higher Education-UC, CSU and Other	3,579,408	552,341	4,131,749	368,364	3,961,883	3,805,218	598,247	4,403,465	61,185	4,002,651
TOTALS, EDUCATION	19,161,425	589,691	19,751,116	587,381	6,244,648	20,355,614	630,609	20,986,223	202,580	6,414,975
State Operations	4,022,341	569,635	4,591,976	199	4,008,254	4,440,850	616,849	5,057,699	16,496	4,059,923
Local Assistance	15,139,084	20,056	15,159,140	36,684	2,236,394	15,914,764	13,760	15,928,524	103,654	2,355,052
Capital Outlay	--	--	--	550,498	--	--	--	--	82,430	--
GENERAL GOVERNMENT										
General Administration	--	--	--	--	--	--	--	--	--	--
Office of Criminal Justice Planning	3,352	1,457	4,809	--	2,223	3,446	1,484	4,930	--	2,582
State Operations.....	28,713	10,323	39,036	--	58,342	22,753	15,492	38,245	--	56,750
Local Assistance.....	--	--	--	--	--	--	--	--	--	--
Totals, Office of Criminal Justice Planning	32,065	11,780	43,845	--	60,565	26,199	16,976	43,175	--	59,332
Comm on Peace Officer Standards & Train	--	15,290	15,290	--	--	--	14,132	14,132	--	--
State Operations.....	1,866	12,207	14,073	--	--	1,453	18,039	19,492	--	--
Local Assistance.....	--	--	--	--	--	--	--	--	--	--
Totals, Comm on Peace Officer Standards & Trai	1,866	27,497	29,363	--	--	1,453	32,171	33,624	--	--
State Public Defender	8,217	--	8,217	--	--	8,487	--	8,487	--	--
State Operations.....	--	--	--	--	--	--	--	--	--	--

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COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total
Pay to Court for Cost of Homicide Trial									
Local Assistance	5,020	--	5,020	6,000	--	6,000	6,000	--	6,000
Commission for Economic Development									
State Operations	434	--	434	236	--	236	--	--	--
California Arts Council									
State Operations	1,870	--	1,870	1,890	--	1,890	1,785	105	1,890
Local Assistance	10,468	--	10,468	10,606	--	10,606	10,551	55	10,606
Totals, California Arts Council	12,338	--	12,338	12,496	--	12,496	12,336	160	12,496
Native American Heritage Commission									
State Operations	232	--	232	240	--	240	240	--	240
Agricultural Labor Relations Board									
State Operations	3,639	--	3,639	4,284	--	4,284	4,284	--	4,284
Public Employment Relations Board									
State Operations	3,888	--	3,888	4,030	--	4,030	4,030	--	4,030
Dept of Industrial Relations									
State Operations	122,684	29,924	152,608	134,886	44,933	179,819	135,679	44,510	180,189
Local Assistance	1,258	--	1,258	2,309	1,100	3,409	1,193	--	1,193
Totals, Dept of Industrial Relations	123,942	29,924	153,866	137,195	46,033	183,228	136,872	44,510	181,382
Department of Personnel Administration									
State Operations	4,721	--	4,721	5,296	--	5,296	5,296	--	5,296
CA Citizens Compensation Commission									
State Operations	4	--	4	30	--	30	25	--	25
Workers Compensation Benefits									
Subsequent Injuries									
State Operations	4,940	2,007	6,947	5,507	3,300	8,807	5,507	3,300	8,807
Disaster Service Workers									
Local Assistance	315	--	315	663	--	663	663	--	663
Totals, Workers Compensation Benefits	5,255	2,007	7,262	6,170	3,300	9,470	6,170	3,300	9,470
Board of Chiropractic Examiners									
State Operations	--	1,494	1,494	--	1,518	1,518	--	1,658	1,658
Osteopathic Medical Board of California									
State Operations	--	460	460	--	452	452	--	638	638
Board of Pilot Commissioners									
State Operations	--	814	814	--	1,517	1,517	--	1,545	1,545
California Auctioneer Commission									
State Operations	--	7	7	--	--	--	--	--	--
California Horse Racing Board									
State Operations	--	6,743	6,743	--	7,454	7,454	--	7,611	7,611
California Exposition and Fairs									
State Operations	--	--	--	--	265	265	--	265	265
Department of Food and Agriculture									
State Operations	57,018	67,757	124,775	63,201	71,589	134,790	64,802	70,633	135,435
Local Assistance	5,539	44,312	49,851	5,422	40,734	46,156	5,422	43,663	49,085
Capital Outlay	--	189	189	69	--	69	1,362	--	1,362

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COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
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COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94			Estimated 1994-95			Estimated 1995-96		
	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total	General Fund	Special Funds	Budget Total
Totals, Veteran's Home of California-Younvi Veterans' Home of California-Barstow Capital Outlay	22,218	1,689	23,907	27,561	1,709	29,270	29,293	--	29,293
	--	--	--	--	--	--	--	--	--
Totals, Department of Veterans Affairs Vietnam Veterans Memorial Commission	25,457	1,689	27,146	31,737	1,709	33,446	33,471	--	33,471
State Operations	--	4	4	--	3	3	--	3	3
Veterans Memorial Commission	--	357	357	--	307	307	--	350	350
State Operations	--	--	--	--	--	--	--	--	--
General Obligation Bonds-Gen Govt State Operations	5,790	--	5,790	2,899	--	2,899	7,182	--	7,182
Totals, General Administration	395,537	338,020	733,557	398,450	391,470	789,920	394,542	404,431	798,973
Tax Relief	--	--	--	--	--	--	--	--	--
Tax Relief	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--
Senior Citizens Property Tax Assistance	2,259	--	2,259	2,268	--	2,268	2,268	--	2,268
Senior Citizens Property Tax Deferral	13,838	--	13,838	16,000	--	16,000	16,000	--	16,000
Senior Citizens Renters Tax Assistance	12,786	--	12,786	14,000	--	14,000	14,000	--	14,000
Homeowners' Property Tax Relief	373,736	--	373,736	381,200	--	381,200	388,824	--	388,824
Subventions for Open Space	35,062	--	35,062	36,000	--	36,000	36,000	--	36,000
Renters' Tax Relief	31,200	--	31,200	--	--	--	--	--	--
Substandard Housing	370	--	370	370	--	370	370	--	370
Property Tax Admin	--	--	--	25,000	--	25,000	--	--	--
State-Mandated Local Programs	2,143	--	2,143	2,084	--	2,084	608	--	608
Totals, Local Assistance	471,394	--	471,394	476,922	--	476,922	458,070	--	458,070
Totals, Tax Relief	471,394	--	471,394	476,922	--	476,922	458,070	--	458,070
Local Government Aid	--	--	--	--	--	--	--	--	--
Local Government Financing	--	--	--	--	--	--	--	--	--
Local Assistance	25,423	--	25,423	13,647	--	13,647	7,540	5,000	7,540
Shared Revenue	--	--	--	--	--	--	--	--	--
Apprntmt-Hwy Properties Rental Receipt Local Assistance	3,500	3,500	--	--	3,645	3,645	--	3,645	3,645
Apprntmt-Off-Highway License Fees	--	832	832	--	840	840	--	840	840
Apprntmt-Fed Rcpis Flood Contl Lands	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--
Apprntmt-Fed Receipts-Forest Reserves	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--
Apprntmt-Fed Receipts-Grazing Land	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--
Apprntmt-Fed Potash Lease Rentals	--	--	--	--	--	--	--	--	--
Local Assistance	--	--	--	--	--	--	--	--	--
Apprntmt-Moor Vehicle License Fees	2,203,120	--	2,203,120	2,122,322	--	2,122,322	--	2,163,473	2,163,473
Local Assistance	--	--	--	--	--	--	--	--	--

Appendix 46

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96						
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds
Apprntmnt-Tideland Revenues															
Local Assistance	260	--	260	--	--	250	--	250	--	--	250	--	250	--	--
Apprntmnt-MV Fuel Tax-County Roads	--	286,767	286,767	--	--	--	286,651	286,651	--	--	--	290,397	290,397	--	--
Local Assistance	--	209,831	209,831	--	--	--	214,636	214,636	--	--	--	218,493	218,493	--	--
Apprntmnt-MV Fuel Tax-Co Rds & City Sts	--	132,756	132,756	--	--	--	129,621	129,621	--	--	--	130,610	130,610	--	--
Local Assistance	--	278,828	278,828	--	--	--	301,101	301,101	--	--	--	305,146	305,146	--	--
Apprntmnt-MV Fuel to Co&Cit-St&Hwy Purp	--	2,388	2,388	--	--	--	2,667	2,667	--	--	--	2,667	2,667	--	--
Local Assistance	--	701,000	701,000	--	--	--	--	--	--	--	--	--	--	--	--
Apprntmnts for Public Safety Svcs															
Local Assistance															
Totals, Shared Revenue	260	3,819,022	3,819,282	--	49,422	250	3,061,483	3,061,733	--	63,900	250	3,115,271	3,115,521	--	63,900
Totals, Local Government Aid	25,683	3,819,022	3,844,705	1,300	49,422	13,897	3,061,483	3,075,380	5,000	63,900	7,790	3,115,271	3,123,061	5,000	63,900
Debt Service															
Payment of Interest on PMIA Loans															
State Operations	514	--	514	--	--	5,000	--	5,000	--	--	5,000	--	5,000	--	--
Payment of Interest on Gen Fund Loans															
State Operations	105,468	--	105,468	--	--	258,000	--	258,000	--	--	675,000	--	675,000	--	--
Interest Payments to the Federal Govt															
State Operations	--	--	--	--	--	7,000	74	7,074	--	--	12,000	501	12,501	--	--
Totals, Debt Service	105,982	--	105,982	--	--	270,000	74	270,074	--	--	692,000	501	692,501	--	--
Statewide Expenditures															
Health Benefits for Annuitants															
State Operations	296,864	--	296,864	--	--	300,487	--	300,487	--	--	295,701	--	295,701	--	--
Eqty Cfm Bd Control, Slmtns by Justice															
State Operations	21,203	1,940	23,143	310	110	3,934	1,849	5,783	--	103	1,201	--	1,201	--	--
Reserve for Contingencies or Emergency															
State Operations	--	--	--	--	--	1,500	1,500	3,000	--	--	2,000	1,500	3,500	--	--
Unallocated Capital Outlay															
Capital Outlay	--	150	150	--	--	--	200	200	--	--	200	--	200	--	--
Reserve for Encumbrances															
Unclassified	61,036	--	61,036	--	--	--	--	--	--	--	--	--	--	--	--
PERS General Fund Payment															
State Operations	--	--	--	--	--	441,000	--	441,000	--	--	466,500	--	466,500	--	--
Statewide Gen. Adm Exp (Pro Rata)															
State Operations	-185,921	1,312	-184,609	25	1	-162,980	1,371	-161,609	14	--	-133,174	292	-132,882	--	--
Totals, Statewide Expenditures	193,182	3,402	196,584	335	111	583,941	4,920	588,861	14	103	632,428	1,792	634,220	--	--
Statewide Savings															
General Fund Credits from Federal Funds															
State Operations	-37,057	--	-37,057	--	--	-35,451	--	-35,451	--	--	-38,417	--	-38,417	--	--

Schedule 9

COMPARATIVE STATEMENT OF EXPENDITURES BY ORGANIZATION UNIT, CHARACTER, FUNCTION AND FUND
FISCAL YEARS 1993-94, 1994-95, AND 1995-96--Continued
(dollars in thousands)

	Actual 1993-94				Estimated 1994-95				Estimated 1995-96			
	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds	Budget Total	Selected Bond Funds	Federal Funds	General Fund	Special Funds
PERS Deferral												
State Operations	-466,500	--	-466,500	--	--	-814,532	--	-814,532	--	-512,800	--	--
Estimated Unidentifiable Savings												
State Operations	--	--	--	--	--	-5,000	--	-5,000	--	-5,000	--	--
Local Assistance	--	--	--	--	--	-30,000	--	-30,000	--	-30,000	--	--
Totals, Estimated Unidentifiable Savings	--	--	--	--	--	-35,000	--	-35,000	--	-35,000	--	--
Totals, Statewide Savings	-503,557	--	-503,557	--	--	-884,983	--	-884,983	--	-586,217	--	--
TOTALS, GENERAL GOVERNMENT	688,221	4,160,444	4,848,665	1,635	640,028	858,227	3,457,947	4,316,174	5,014	672,632	1,598,613	3,521,995
State Operations	75,329	263,838	339,167	335	87,729	322,673	318,751	641,424	14	96,888	1,097,372	320,904
Local Assistance	551,856	3,885,864	4,437,720	1,300	108,568	530,525	3,137,287	3,667,812	5,000	24,038,813	484,838	3,201,091
Capital Outlay	--	10,742	10,742	--	57,093	5,029	1,909	6,938	--	45,465	16,403	--
Unclassified	61,036	--	61,036	--	386,638	--	--	--	--	408,971	--	--
GRAND TOTAL	38,957,922	12,746,463	51,704,385	1,378,902	32,553,769	41,692,913	12,340,325	54,033,238	11,108,874	31,904,384	41,726,182	13,792,366
State Operations	9,822,381	5,135,392	14,957,773	76,540	6,088,570	11,181,098	5,335,341	16,516,439	89,489	6,304,726	12,266,686	5,479,070
Local Assistance	29,074,505	7,090,301	36,164,806	487,589	24,796,816	30,495,137	6,555,191	37,050,328	796,735	29,383,474	29,383,474	7,344,009
Capital Outlay	--	496,922	496,922	814,773	1,281,745	16,678	425,586	442,264	222,850	1,151,874	74,022	944,542
Unclassified	61,036	23,838	84,874	--	386,638	--	24,207	24,207	--	408,971	--	24,745
BUDGET ACT TOTALS	28,907,270	5,317,846	34,225,116	581,705	27,842,822	30,610,224	5,504,968	36,115,192	207,505	26,968,859	29,541,121	6,207,598
State Operations	8,953,050	4,645,842	13,598,892	53,014	2,459,390	9,653,777	4,799,608	14,453,385	57,577	2,583,019	10,240,924	4,961,002
Local Assistance	19,954,220	433,410	20,387,630	69,680	24,580,055	20,939,769	465,084	21,404,853	110,437	23,903,623	19,226,175	505,138
Capital Outlay	--	238,594	238,594	459,001	803,377	16,678	240,276	256,954	39,491	482,217	74,022	741,458
STATUTORY APPROPRIATIONS	8,344,342	6,691,328	15,035,670	340,053	97,184	8,962,521	6,083,683	15,046,204	594,902	20,729	10,193,744	5,750,127
State Operations	-151,930	503,952	352,022	8,896	3,143	-4,879	487,990	483,111	6,199	3,824	438,654	487,272
Local Assistance	8,496,272	6,163,244	14,659,516	297,157	94,041	8,967,400	5,571,486	14,538,886	567,727	409	9,755,090	5,238,110
Capital Outlay	--	294	294	34,000	--	--	--	--	20,976	16,496	--	--
Unclassified	--	23,838	23,838	--	--	--	24,207	24,207	--	--	--	24,745
CONSTITUTIONAL APPROPRIATIONS	1,406,680	--	1,406,680	--	--	1,882,734	--	1,882,734	--	1,994,739	--	--
State Operations	1,406,680	--	1,406,680	--	--	1,882,734	--	1,882,734	--	1,994,739	--	--
OTHER APPROPRIATIONS	299,630	737,289	1,036,919	457,144	4,613,763	237,434	751,674	989,108	306,467	4,914,796	-3,422	1,834,641
State Operations	-385,419	-14,402	-399,821	14,630	3,626,037	-350,534	47,743	-302,791	25,713	3,717,883	-405,631	30,796
Local Assistance	624,013	493,647	1,117,660	120,742	122,720	587,968	518,621	1,106,589	118,571	134,781	402,209	1,600,761
Capital Outlay	--	258,044	258,044	321,772	478,368	--	185,310	185,310	162,183	653,161	--	203,084
Unclassified	61,036	--	61,036	--	386,638	--	--	--	--	408,971	--	--

Schedule 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996
(dollars in thousands)

Fund	Reserves June 30, 1993	Actual Income 1993-94	Actual Expenditures 1993-94	Reserves June 30, 1994	Estimated Income 1994-95	Estimated Expenditures 1994-95	Reserves June 30, 1995	Estimated Income 1995-96	Estimated Expenditures 1995-96	Reserves June 30, 1996
GENERAL FUND	543,524	38,495,429	38,957,923	81,030	42,177,615	41,692,908	565,737	41,512,536	41,726,183	352,090
SPECIAL ACCOUNTS:										
Property Acquisition Law Money Account	1,249	1,648	1,495	1,402	2,164	1,748	1,818	2,002	2,622	1,198
Motor Vehicle Parking Facility Monies Acct	174	4,228	4,098	304	4,271	4,567	508	4,771	4,986	293
Breast Cancer Fund	—	15,241	12,118	3,123	29,625	32,748	—	59	59	—
Access for Handicapped Account	370	1,643	1,225	788	1,600	1,455	933	1,600	1,820	713
Breast Cancer Research Account	—	—	—	—	2,338	0	2,338	16,621	16,393	2,566
Boxers Pension Account	—	10	10	—	35	35	—	35	35	—
Breast Cancer Control Account	—	—	—	—	2,337	0	2,337	16,620	16,802	2,155
Hazardous Materials Enforce Train Acct	13	2	—	15	2	0	17	2	—	19
Attorney General Antitrust Account	1,603	—	508	1,095	2,405	528	2,972	12	528	2,456
Federal Receipts Acct, HWCA	1,597	2,511	2,293	1,815	1,002	1,002	2,665	1,333	3,997	1
Hazardous Waste Control Account	24,392	69,196	81,691	11,897	66,370	76,330	1,937	64,731	65,023	1,645
Fircarms Safety Training Fund Special Ac	230	1,499	830	899	-112	728	59	1,050	804	305
Subsequent Injuries Monies Account	151	2,978	2,007	1,122	3,300	3,300	1,122	3,300	3,300	1,122
Fingerprint Fees Account	114	20,164	19,704	574	23,382	22,771	1,185	24,551	24,845	891
Site Remediation Account	—	1,108	4,416	-3,308	4,311	1,003	—	1,003	1,003	—
Calif State Law Library Special Account	137	484	470	151	535	535	151	535	612	74
Emergency Telephone Number Acct, State	13,703	55,974	61,224	8,453	68,032	66,586	9,899	68,032	66,595	11,336
Farm Labor Contractors Special Account	327	-327	—	—	27	27	—	27	27	—
Leaking Undergrnd Stor Tank Cost Recovery	—	14,514	3,424	11,090	5,405	5,003	11,492	5,405	5,658	11,239
Motor Vehicle Insurance Account, State	-704	16,617	17,351	-1,438	20,130	18,692	—	18,400	18,400	—
Tax Relief and Refund Account	—	—	122	-122	—	123	-245	—	—	-245
Unified Program Account	—	—	—	—	—	0	—	200	188	12
Nuclear Planning Assessment Special Ac	668	2,042	2,233	477	2,414	2,891	—	2,965	2,965	—
Energy Conservation Assistance Ac, State	6,801	210	3,289	3,722	378	586	3,514	429	3,846	97
Geothermal Resources Development Account	29	4,177	4,177	29	4,667	4,667	29	4,667	4,667	29
Surface Mining and Reclamation Account	753	454	1,207	—	2,000	1,438	562	2,000	2,040	522
Special Account for Capital Outlay	40,267	14,427	49,726	4,968	—	3,228	1,740	—	—	1,740
Propane Safety Insp/Enforce Prog Trust	—	—	—	—	148	148	—	149	149	—
Occupational Lead Poisoning Prev Acct,GF	1,217	1,788	1,334	1,671	1,500	1,808	1,363	1,500	1,877	986
Export Document Program Fund	—	65	35	30	120	133	17	140	123	—
Justice Sexual Habitual Offender, Dept o	416	1,351	1,449	318	1,453	1,588	183	1,470	1,653	—
Commodity Merchant Account	38	—	—	38	—	0	38	—	—	38
Mine Reclamation Account	149	1,255	1,087	317	1,158	1,150	325	922	1,159	88
Seismic Hazard Identification Fund	164	1,003	1,167	—	964	927	37	1,147	1,184	—
Real Estate Appraisers Regulation Fund	9,427	1,760	2,999	8,188	1,869	3,448	6,609	2,026	3,799	4,836
Hazardous Waste Mgmt Planning Subaccount	3	—	—	3	-3	0	—	—	—	—
Local Jurisdiction Energy Assistance	2,870	135	166	2,839	174	842	2,171	217	—	2,388
Air Toxics Inventory and Assessment Acct	849	5,181	4,776	1,254	4,249	5,017	486	4,662	4,650	498
Solid Waste Disp Site Chnup & Maintnnc Ac	12,865	-12,865	—	—	—	0	—	—	—	—
Underground Storage Tank Tester Account	58	54	51	61	53	91	23	53	50	26
Assistance for Fire Equipment Acct,State	210	54	53	211	100	100	211	100	211	3,476
Petro Undergrnd Storage Tank Financ Acct	10,462	4,328	3,951	10,839	4,943	7,116	8,666	4,914	10,104	—
Olympic Training Account,California	316	-289	—	27	-16	0	11	-6	—	5

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996--Continued
(dollars in thousands)

<i>Fund</i>	<i>Reserves June 30, 1993</i>	<i>Actual Income 1993-94</i>	<i>Actual Expenditures 1993-94</i>	<i>Reserves June 30, 1994</i>	<i>Estimated Income 1994-95</i>	<i>Estimated Expenditures 1994-95</i>	<i>Reserves June 30, 1995</i>	<i>Estimated Income 1995-96</i>	<i>Estimated Expenditures 1995-96</i>	<i>Reserves June 30, 1996</i>
Seismic Gas Valve Cert Fee Acct	-3	1	—	-2	82	80	—	77	77	—
Manufactured Home License Fee Account	—	2,239	2,239	—	—	0	—	—	—	—
Elevator Safety Account	793	3,627	4,420	—	5,917	4,592	1,325	7,194	5,949	2,570
Pressure Vessel Account	-634	2,989	2,355	—	3,650	3,630	20	3,702	3,702	—
Hazardous Substance Subaccount	4,152	2,458	5,667	943	5,100	5,008	1,035	5,000	5,010	1,025
Expedited Site Remediation Trust Fund	—	—	—	—	—	0	—	4,193	4,193	—
Mortgage Bd & Tax Credit Alloc Fee Acct	6,139	4,531	1,382	9,288	5,489	1,751	13,026	4,978	1,816	16,188
Site Operation and Maintenance Account	2,383	7	590	1,800	7	35	1,772	7	25	1,754
Dealers' Record of Sale Acct	2,037	7,216	7,093	2,160	10,345	8,225	4,280	10,743	8,472	6,551
Public Util Comm Transport Reimb Acct	6,772	7,274	8,774	5,272	8,085	9,666	3,691	8,187	8,704	3,174
Publ Utilities Comm Utilities Reimb Acct	-324	51,080	45,831	4,925	50,980	46,813	9,092	51,425	49,324	11,193
R, Z'berg Urban Open Space Rec Prog Acct	660	—	481	179	—	179	—	—	—	—
Energy Resources Programs Account	16,559	27,853	39,577	4,835	35,947	40,782	—	42,775	40,711	2,064
Narc Assist & Relinquish Crim Offend Fd	—	656	527	129	498	544	83	556	544	95
Vietnam Veterans Memorial Account	63	2	4	61	2	3	60	2	3	59
Underground Storage Tank Fund	2,687	-1,807	880	—	548	548	—	1,300	857	443
Gaming Registration Fee Account	292	536	420	408	544	494	458	544	478	524
Mosquitoborne Disease Surveillance Acct	17	34	14	37	23	27	33	23	28	28
Energy Tech Research, Dev, & Demo Acct	3,295	—	1,021	2,274	9	1,097	1,186	9	1,103	92
Garment Manufacturers Special Account	52	-3	49	—	125	50	75	125	50	150
Surface Impoundment Assessment Account	827	-739	88	—	200	194	6	200	194	12
Hazardous Substance Clearing Account	370	7,109	5,637	1,842	7,364	5,084	4,122	4,978	4,540	4,560
Armyory Discretionary Improvement Account	170	-120	13	37	150	150	37	150	150	37
Emergency Clean Water Grant Fund	1	2	—	3	—	0	3	—	—	3
Veterans Memorial Account	324	271	359	236	330	316	250	330	354	226
Boxer's Neurological Examination Account	200	186	259	127	-39	0	88	201	238	51
Developmental Disabilities Services Acct	103	8	50	61	8	26	43	8	26	25
Local Govt Geothermal Resource Subacct	3,497	-211	1,058	2,228	2,012	3,161	1,079	2,012	2,949	142
Higher Education Fees and Income-CSU	180	535,646	535,826	—	573,214	573,214	—	574,801	574,801	—
STATE TRANSPORTATION FUND:										
Aeronautics Account STF	55	7,113	6,063	1,105	7,858	8,913	50	7,902	7,862	90
Highway Account, State, STF	191,952	1,993,361	2,087,205	98,108	2,088,079	2,021,196	164,991	2,392,053	2,537,044	20,000
Motor Vehicle Account, STF	17,025	1,184,016	1,166,253	34,788	1,087,520	1,068,441	53,867	1,119,520	1,128,372	45,015
Bicycle Lane Account, STF	306	443	355	394	440	410	424	440	470	394
Transport Planning & Develop Acct, STF	67,823	121,067	174,685	14,205	174,600	165,027	23,778	216,068	230,069	9,777
Local Airport Loan Account	3,205	1,012	-3,197	7,414	1,100	4,000	4,514	1,100	5,564	50
New Motor Vehicle Board Account	1,662	-492	1,055	115	1,398	1,513	—	1,575	1,510	65
Seismic Safety Retrofit Account, STF	19,371	9,572	28,619	324	25,266	25,590	—	8,348	8,348	—
TRANSPORTATION TAX FUNDS:										
Motor Vehicle Fuel Account, TTF	335,737	-48,704	35,299	251,734	29,952	37,629	244,057	28,630	40,993	231,694
Highway Users Tax Account, TTF	—	908,942	908,942	—	932,804	932,804	—	945,449	945,449	—
Motor Vehicle License Fee Account, TTF	—	2,241,132	2,241,132	—	2,292,501	2,292,501	—	2,338,700	2,338,700	—
FEEDER FUNDS:										
Alcohol Beverage Control Fund	6,506	27,521	24,466	9,561	26,310	29,404	6,467	26,360	30,105	2,722
Bank and Corporation Tax Fund	—	—	50	-50	—	15	-65	—	—	-65

Schedule 10

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996--Continued
(dollars in thousands)

Fund	Reserves June 30, 1993	Actual Income 1993-94	Actual Expenditures 1993-94	Reserves June 30, 1994	Estimated Income 1994-95	Estimated Expenditures 1994-95	Reserves June 30, 1995	Estimated Income 1995-96	Estimated Expenditures 1995-96	Reserves June 30, 1996
Inheritance Tax Fund	—	—	1	-1	—	0	-1	—	—	-1
Personal Income Tax Fund	—	—	11	-11	—	50	-61	—	—	-61
Retail Sales Tax Fund	—	—	44	-44	—	19	-63	—	—	-63
OTHER GOVERNMENTAL COST FUNDS:										
Trustline Voluntary Registration Fund	—	—	—	—	213	213	—	450	450	—
Guide Dogs for the Blind Fund	—	—	—	—	54	48	6	54	47	13
Rail Accident Prevention & Response Fund	136	1,167	—	1,303	-782	0	521	-275	—	246
Hazardous Spill Prevention Act, RAPRF	1,994	777	2,770	1	3,337	3,170	168	3,337	3,199	306
Sale of Tobacco to Minors Control Act	—	—	—	—	—	-151	151	—	-293	444
Corporations Fund, State	5,701	32,453	26,851	11,303	31,566	28,483	14,386	38,574	36,450	16,510
Diesel Fuel Trust Fund	—	—	—	—	300	300	—	14,000	14,000	—
Barbering/Cosmetology Fd. St Bd of	2,438	7,822	6,683	3,577	9,546	9,195	3,928	9,642	9,244	4,326
Yosemite Foundation Act, ELPF	—	221	221	—	400	400	—	400	400	—
Medical Waste Management Fund	—	929	583	346	900	830	416	900	899	417
Radiation Control Fund	—	10,756	7,527	3,229	10,117	8,584	4,762	10,420	9,813	5,369
Tissue Bank License Fund	75	114	114	75	120	190	5	120	114	11
Graphic Design License Plate Account	—	—	—	—	100	0	100	160	133	138
Industrial Medicine Fund	1,585	-456	1,129	—	1,750	1,619	131	1,750	1,743	138
Childhood Lead Poisoning Prevention Fund	8,286	11,937	11,751	8,472	12,519	16,158	4,833	12,519	16,498	854
Radon Contractor Certification Fund	19	20	—	39	5	7	37	5	7	35
Construction Management Education Act	3	—	—	3	16	16	3	16	16	3
Cal-OSHA Targeted Inspection & Consult	—	5,068	2,115	2,953	8,374	10,332	995	8,934	8,963	966
Clinical Laboratory Improvement Fund	—	—	—	—	—	0	—	3,887	3,727	160
Health Statistics Special Fund	—	—	—	—	—	0	—	12,632	9,671	2,961
Used Oil Recycling Fund, California	14,901	19,046	30,389	3,558	23,007	25,565	1,000	23,425	23,838	587
Oil Refinery & Chem Plant Safety Fd, Cal	43	1,850	1,423	436	1,743	1,475	704	1,743	1,656	791
Pesticide Regulation Fund, Dept of	13,167	21,720	28,325	6,562	28,118	30,388	4,292	27,463	29,661	144
Acupuncture Fund	794	1,285	887	1,192	1,369	902	1,659	1,030	2,094	2,094
Agriculture Act, AG Fund	44,733	71,698	80,842	35,589	78,339	84,906	29,022	80,200	84,736	24,486
Agricultural Pest Control Research Acct	35	—	—	35	2	0	37	2	—	39
Missing Children Reward Fund	24	—	—	24	—	2	22	—	2	20
Auctioneer Commission Fund	9	7	7	9	—	9	—	—	—	—
Air Pollution Control Fund	1,402	8,379	9,007	774	8,976	9,292	458	9,069	9,223	304
Wine Safety Fund	—	—	—	—	116	100	16	171	171	20
Alcoholic Beverage Control Appeals Fund	541	287	426	402	578	572	408	578	533	453
Animal Health Technician Exam Comm Fund	8	94	87	15	91	95	11	90	95	6
Hospital Building Fund	12,862	17,126	17,322	12,666	17,200	16,904	12,962	17,200	17,230	12,932
Rural Economic Development Fund	3,685	415	-977	5,077	119	4,089	1,107	155	459	803
Agricultural Export Promotion Act, CA	103	72	168	7	325	268	64	325	265	124
State Audit Fund	935	—	—	935	—	0	935	—	—	935
Water Device Certification Special Acct	3	66	26	43	37	57	23	42	61	4
Foster and Small Family Insurance Fund	1,349	—	1,168	181	—	0	181	—	—	181
Workers' Compensation Managed Care Fund	—	—	—	—	1,720	1,720	—	1,686	1,686	—
Beverage Container Recycling Fund, CA	39,513	342,960	315,039	67,434	340,902	323,529	84,807	317,723	321,325	81,205
AIDS Vaccine Research Develop Grant Fd	10	—	2	8	—	6	2	—	2	—
Banking Fund, State	7,233	15,324	15,079	7,478	14,184	16,620	5,042	15,183	16,463	3,762

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996--Continued
(dollars in thousands)

<i>Fund</i>	<i>Reserves June 30, 1993</i>	<i>Actual Income 1993-94</i>	<i>Actual Expenditures 1993-94</i>	<i>Reserves June 30, 1994</i>	<i>Estimated Income 1994-95</i>	<i>Estimated Expenditures 1994-95</i>	<i>Reserves June 30, 1995</i>	<i>Estimated Income 1995-96</i>	<i>Estimated Expenditures 1995-96</i>	<i>Reserves June 30, 1996</i>
Vital Record Improvement Account, State	2,548	2,765	3,666	1,647	2,725	2,565	1,807	-1,807	—	—
Commercial Motor Carrier Safety Enfrmt Fd	—	—	—	—	2,536	1,400	1,136	2,072	1,400	1,808
Drinking Driver Program Licensing Trust	146	1,296	1,492	-50	1,850	1,800	—	1,800	1,800	—
Environmental License Plate Fund, Calif	3,369	19,801	21,770	1,400	24,838	25,238	1,000	20,957	21,085	872
Soil Conservation Fund	140	645	785	—	985	971	14	985	986	13
Health Data & Planning Fund, CA	1,492	9,912	9,844	1,560	11,283	9,850	2,993	11,840	10,938	3,875
Water Fund, California	2,395	16,135	15,830	2,700	4,860	7,239	321	8,657	8,054	924
Commerce Marketing Fund	23	24	23	24	102	102	24	102	107	19
Capital Outlay Fd for Public Higher Educ	2,334	—	—	2,334	—	0	2,334	—	—	2,334
Chiropractic Examiners Fund	1,186	1,751	1,495	1,442	1,750	1,518	1,674	1,750	1,658	1,766
Travel Seller Fund	—	—	—	—	100	0	100	844	800	144
Assembly and Senate, Operating Funds of	21	—	—	21	—	0	21	—	—	21
Continuing Care Provider Fee Fund	276	691	376	591	385	398	578	400	388	590
Outer Cont Shelf Land Act Sec 8g Rev Fnd	5,756	14,748	11,086	9,418	8,913	18,319	12	-12	—	—
Certification Act, Consumer Affairs Fd	—	640	397	243	296	536	3	601	601	3
Delinquent Tax Collection Fund	1	—	—	1	—	0	1	—	—	1
Structural Pest Control Research Fund	281	95	162	214	90	125	179	90	114	155
Debt Limit Allocation Committee Fund, Cal	1,046	486	329	1,203	440	407	1,236	450	414	1,272
Corrections Training Fund	1,049	10,151	10,822	378	10,523	10,821	80	11,250	11,250	80
Debt Advisory Commission Fund, Calif	1,235	1,011	1,029	1,217	845	1,298	764	835	1,333	266
Developmental Disabilities Prog Dev Fund	785	2,021	2,369	437	2,235	2,374	298	1,983	2,133	148
Competitive Technology Fund	359	404	-5,452	6,215	558	6,136	145	337	704	353
Dispensing Opticians Fund	155	321	145	331	52	238	145	228	254	228
Delta Flood Protection Fund	6,768	6,679	12,447	—	12,380	12,380	—	9,445	9,026	419
Food Safety Fund	59	2,062	1,928	193	2,112	2,049	256	2,112	2,066	302
Driver Training Penalty Assessment Fund	5,838	-4,880	926	32	919	951	—	977	977	—
Environmental Laboratory Improvement Fnd	94	2,223	1,674	643	2,333	1,942	1,034	2,451	2,135	1,350
Registered Nurse Education Fund	391	643	977	57	627	661	23	636	641	18
Environment Enhanc & Muigat Demo Prgm Fd	900	10,454	9,817	1,537	10,250	10,895	892	-774	118	—
Employment Development Dept Benefit Audit	5,378	4,663	6,877	3,164	9,082	10,703	1,543	9,096	9,873	766
Employment Development Contingent Fund	-2,171	32,668	29,497	1,000	30,510	30,510	1,000	31,518	31,518	1,000
Energy and Resource Fund	246	-127	—	119	—	0	119	—	—	119
Fair and Exposition Fund	475	24,673	24,611	537	23,866	24,319	84	23,359	23,359	84
Satellite Wagering Account	-576	13,668	12,910	182	10,578	10,549	211	13,807	13,812	206
Waste Discharge Permit Fund	8,759	6,350	10,109	5,000	11,541	11,425	5,116	12,873	17,003	986
Emerg Medical Svcs Trng Prog Approval Fd	—	—	—	—	5	0	5	15	15	5
Asset Forfeiture Distribution Fund	467	-342	125	—	—	0	—	—	—	—
Fire and Arson Training Fund, Calif	275	1,289	1,444	120	1,503	1,563	60	1,558	1,455	163
Fireworks Licensing Fund, California	475	-475	—	—	—	0	—	—	—	—
Fish and Game Preservation Fund	11,800	75,927	75,081	12,646	75,181	78,745	9,082	78,106	77,595	9,593
Fisheries Restoration Account	10	—	—	10	—	10	—	—	—	—
Genetic Disease Testing Fund	10,859	39,110	38,153	11,816	49,850	53,811	7,855	59,579	65,119	2,315
Geology and Geophysics Fund	654	192	508	338	946	669	615	700	781	534
Fish & Wildlife Pollut Clnup & Abate Acc	594	201	473	322	448	424	346	201	416	131
Hearing Aid Dispensers Fund	36	506	473	69	538	483	124	550	498	176
Hazardous Liquid Pipeline Safety Calif	482	1,192	1,312	362	1,430	1,437	355	1,390	1,661	84
Outpatient Setting Fd of Medical Board	—	—	196	—	156	45	111	3	70	44
Waterfowl Habitat Preservation Act, Cal	2,655	123	—	2,582	113	199	2,496	-91	—	2,405

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996--Continued
(dollars in thousands)

Fund	Actual Income 1993-94	Actual Expenditures 1993-94	Reserves June 30, 1994	Estimated Income 1994-95	Estimated Expenditures 1994-95	Reserves June 30, 1995	Estimated Income 1995-96	Estimated Expenditures 1995-96	Reserves June 30, 1996
Native Species Conserv & Enhancement Acc	206	173	33	91	0	124	91	—	215
Restitution Fund	50,960	55,408	1,927	86,920	88,847	—	92,179	92,179	—
Industrial Development Fund	-2,273	262	849	166	414	601	160	431	330
Industrial Rel Construction Enforce Fd	19	6	—	50	50	—	51	51	—
Insurance Fund	105,508	109,112	11,538	104,407	114,989	956	111,141	111,097	1,000
Lifetime License Trust Acct, Fish & Game	19	—	222	19	0	241	19	—	260
Workplace Health & Safety Revolving Fund	867	802	784	697	1,461	20	697	704	13
Workers' Comp Administration Revolv Fund	18,758	17,114	3,140	16,573	18,079	1,634	16,573	18,207	—
Food Safety Account-Agriculture Fund	1,443	1,161	1,927	1,541	2,009	1,459	1,541	1,934	1,066
Environmental Protection Trust Fund	-255	935	—	3,100	1,973	1,127	1,000	1,973	154
Tire Recycling Management Fund, Calif	1,171	3,358	—	4,457	4,107	350	4,483	4,476	357
Low-Level Radioactive Waste Disposal Fund	1,450	1,355	108	1,482	1,250	340	816	1,155	1
Business Fees Fund, Secty of State's	13,776	13,776	—	16,909	16,909	—	20,656	20,656	—
Dry Cleaning Fund	123	85	120	268	134	254	296	143	407
Cigarette & Tobacco Products Surtax Fund	-2,316	469	—	898	898	—	870	—	—
Health Ed Acct, Cig & Tob Pr Surtax	97,815	103,224	24,939	91,900	89,872	26,967	89,406	86,494	29,879
Hospital Svc Acct, Cig & Tob Pr Surtax	5,235	145,976	3,011	134,112	133,460	3,663	129,521	129,168	4,016
Physician Svc Acct, Cig & Tob Pr Surtax	5,027	22,791	2,083	20,099	20,248	1,934	18,752	18,501	2,185
Research Acct, Cig & Tob Pr Surtax	3,922	7,046	21,992	12,850	24,161	10,681	12,177	20,862	1,996
Public Res Acct, Cig & Tob Pr Surtax	8,056	25,310	3,889	19,192	22,197	884	18,470	18,470	839
Unallocated Acct, Cig & Tob Pr Surtax	67,315	90,704	-10,210	60,676	50,466	—	57,644	56,469	1,175
Private Security Services Fund	—	—	—	—	0	—	5,412	4,560	852
Local Agency Deposit Fund	210	179	137	175	276	36	260	275	21
Loc Pub Prosecutors & Pub Defenders Trng	850	786	129	860	791	198	860	793	265
Metladone Program Licensing Trust Fund	701	737	31	767	791	7	798	791	14
Environmental Water Fund	-336	—	—	9,020	9,000	20	9,020	9,000	40
Mobilehome Park Revolving Fund	3,707	3,460	255	3,610	3,668	197	3,610	3,639	168
Long Term Management Strategy Study Fund	164	160	175	100	217	58	92	150	—
Emergency Sves Disast Adm Supprt Ac Ofc Of	99	-9,653	8,201	132	-2,489	10,822	117	1,877	9,062
Publ Fac & Loc Agency Disastr Respons Acc	720	-5,374	38,584	1,074	29,543	10,115	68	10,183	—
Street and Highway Account-NDA Fund	289	3,809	5,455	185	4,064	1,576	33	1,609	—
Justice DNA Testing Fund, Department of	—	—	—	1	0	1	1	—	2
Sexual Predator Public Information Acct	—	—	—	864	342	522	228	394	356
Earthquake Emergency Invest Acct-NDA Fd	106	106	—	—	0	—	—	—	—
Nursing Home Admin St Lic Exam Bd Fund	464	493	108	667	521	254	439	591	102
Off Highway License Fee Fund	832	832	483	840	840	483	840	840	483
Habitat Conservation Fund	22,810	19,230	23,932	23,408	46,230	1,110	27,354	27,346	1,118
Off-Highway Vehicle Trust Fund	15,726	14,424	16,450	22,952	32,536	6,866	27,881	29,127	5,620
Osteopathic Medical Bd of Calif Contrn Fd	534	461	131	787	473	445	896	638	703
Conservation & Enforcement Svs Ac-Ofhv Fd	919	—	—	—	0	—	—	—	—
Wetlands Conservation Fd, Wildlife Rest	236	263	765	160	0	925	146	—	1,071
Exposition Park Improvement Fund	1,952	2,096	565	2,027	2,161	431	2,027	2,181	277
Peace Officers Training Fund	28,473	27,497	5,350	32,373	32,171	5,552	34,584	40,136	—
Glass Processing Fee Account	16,950	18,201	1,852	19,883	21,610	125	23,161	23,136	150
Residential Care Facility for Elderly Fd	138	170	151	231	209	173	225	307	91
Hazardous & Idle-Deserted Well Abate Fnd	61	61	26	60	60	26	60	58	889
Physician Assistant Fund	807	593	972	674	716	930	690	731	—
Recycling Market Development Rev Loan	5,043	5,130	—	6,219	6,219	—	6,458	6,458	—

Schedule 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996--Continued
(dollars in thousands)

Fund	Reserves June 30, 1993	Actual Income 1993-94	Actual Expenditures 1993-94	Reserves June 30, 1994	Estimated Income 1994-95	Estimated Expenditures 1994-95	Reserves June 30, 1995	Estimated Income 1995-96	Estimated Expenditures 1995-96	Reserves June 30, 1996
Bay Protection and Toxic Cleanup Fund	421	2,403	2,700	124	2,750	2,802	72	2,503	2,421	154
Residential Earthquake Recovery Fund, CA	9,915	-234	6,347	3,334	—	517	2,817	—	—	2,817
Pilot Commissioners Fund	1,139	1,241	814	1,566	318	1,517	367	1,623	1,545	445
Podiatric Medicine Fund, Board of	95	824	820	99	960	992	67	963	988	42
Professional Forester Registration Fund	137	166	135	168	160	170	158	160	169	149
Asbestos Training & Consultant Cert Fund	142	-15	127	—	—	0	—	—	—	—
Private Postsecond & Vocation Ed Adm Fnd	1,221	3,441	2,952	1,710	4,536	3,538	2,708	4,544	4,059	3,193
Safe Drinking Water Account	246	6,825	5,727	1,344	6,501	7,512	333	7,001	7,301	33
Perinatal Insurance Fund	31,208	57,615	77,405	11,418	71,115	81,833	700	71,115	67,329	4,486
Psychology Fund	391	2,596	2,411	576	2,335	2,671	240	2,630	2,781	89
Traumatic Brain Injury Fund	104	500	500	104	500	500	104	500	500	104
Emergency Medical Services Personnel Fnd	291	284	575	—	722	707	15	722	734	3
Major Risk Insurance Fund	12,119	26,634	27,610	11,143	27,866	35,909	3,100	30,000	30,000	3,100
Diesel Emission Reduction Fund	1,029	—	793	236	10	223	23	250	273	—
Real Estate Fund	8,035	24,386	23,646	8,775	24,838	27,443	6,170	25,079	27,528	3,721
Respiratory Care Fund	363	1,317	1,468	212	1,457	1,525	144	1,535	1,668	11
Oil Spill Prevention & Administration Fd	15,904	16,602	27,653	4,853	20,439	22,837	2,455	20,223	21,867	811
Oil Spill Response Trust Fund	53,548	-975	2,889	49,684	5,014	2,289	52,409	3,460	2,097	53,772
Environmental Enhancement Fund	272	58	—	330	239	0	569	-450	—	119
Electronic and Appliance Repair Fund	741	1,188	1,346	583	1,672	2,078	177	1,956	2,086	47
Athletic Commission Fund	43	557	550	50	-50	0	—	—	—	—
Court Interpreters' Fund	—	127	127	—	50	50	—	224	224	—
Pub Sch Plng Desgn & Constr Rev Revlv Fd	2,976	11,607	10,841	3,742	9,680	10,828	2,594	10,084	11,190	1,488
Vehicle License Collection Acct, LRF	—	14,000	14,000	—	14,000	14,000	—	14,000	14,000	—
Local Revenue Fund	—	367	367	—	385	385	—	389	389	—
Vehicle License Fee Account	—	715,927	715,927	—	716,783	716,783	—	747,204	747,204	—
Vehicle License Fee Growth Account	—	856	856	—	30,421	30,421	—	7,599	7,599	—
Reg Environmental Health Specialist Fund	15	207	191	31	154	167	18	205	153	70
Savings Association Spec Regulatory Fund	1,347	27	384	990	31	394	627	12	458	181
School Fund, State	—	7,608	7,608	—	7,608	7,608	—	7,608	7,608	—
School Building Safety Fund	—	225	225	—	173	173	—	163	163	—
School Land Bank Fund	7,968	3,692	28	11,632	1,865	0	13,497	1,600	—	15,097
Senate Operating Fund	2,261	—	1,877	384	—	1	383	—	—	383
In-Home Supportive Service Reg Model, ST	—	1,155	-970	2,125	—	2,125	—	—	—	—
Mental Health Subaccount, Sales Tax Acct	—	695,103	695,103	—	695,103	695,103	—	738,817	738,817	—
Social Services Subaccount, Sales Tx Acc	—	507,084	507,084	—	518,429	518,429	—	110,154	110,154	—
Health Subaccount, Sales Tax Account	—	187,805	187,805	—	187,805	187,805	—	245,826	245,826	—
Caseload Subacct, Sales Tax Growth Acct	—	10,190	10,190	—	4,169	4,169	—	—	—	—
Indigent Health Equity Sub, Sales Tax Grw	—	—	—	—	1,301	1,301	—	3,406	3,406	—
Community Health Equity Sub, SalesTX Grw	—	—	—	—	3,186	3,186	—	8,341	8,341	—
Mental Health Equity Sub, SalesTx Growth	—	—	—	—	1,030	1,030	—	2,695	2,695	—
State Hospital Mental Health Equity, STGA	—	—	—	—	1,828	1,828	—	4,785	4,785	—
Co Medical Svc Subacct, Sales Tax Growth	—	—	—	—	1,105	1,105	—	3,201	3,201	—
Mandates Claims Fund, State	1,336	—	—	1,336	—	506	830	—	—	830
General Growth Subacct, Sales Tax Growth	—	—	—	—	16,871	16,871	—	44,166	44,166	—
Base Restoration Subaccount, Sales TxGrw	—	—	—	—	84,354	84,354	—	—	—	—
Special Equity Subaccount, Sales Tax Grw	—	—	—	—	2,130	2,130	—	12,903	12,903	—
Childrens Social Services Account	—	—	—	—	—	0	—	1,132,734	1,132,734	—

SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996--Continued
(dollars in thousands)

Fund	Reserves June 30, 1993	Actual Income 1993-94	Actual Expenditures 1993-94	Reserves June 30, 1994	Estimated Income 1994-95	Estimated Expenditures 1994-95	Reserves June 30, 1995	Estimated Income 1995-96	Estimated Expenditures 1995-96	Reserves June 30, 1996
Asbestos Consultant Certification Acct	—	104	100	4	313	313	4	313	317	—
Asbestos Training Approval Account	—	107	14	93	192	237	48	191	239	—
Disaster Relief Fund	86,564	-57,347	665	28,552	1,462	0	30,014	—	—	30,014
Speech-Language Pathology & Audiology	447	317	240	524	341	309	556	343	313	586
Higher Education Earthquake Account 1987	3,755	—	1,871	1,884	—	1,884	—	—	—	—
Dental Auxiliary Fund, State	450	1,204	967	687	1,183	1,010	860	1,188	1,053	995
Solid Waste Disposal Site Cleanup Tr Fd	—	8,000	8,000	—	5,000	5,000	—	5,000	5,000	—
Integrated Waste Management Acct	5,495	45,083	44,068	6,510	36,964	40,573	2,901	38,585	39,551	1,935
Parks and Rec Acct, St, Parks & Rec Fd	8,310	81,208	86,741	2,777	80,171	81,943	1,005	96,362	96,612	755
Fines & Forfeitures Acct, Parks & Rec Fd	408	47	70	385	10	367	28	—	—	28
Coast Zone Construct/Convers,Parks Rec Fd	394	-394	—	—	—	0	—	—	—	—
Self-Insurance Plans Fund	1,371	332	1,703	—	2,829	2,829	—	2,872	2,872	—
State Police Fund, California	248	-140	108	—	—	0	—	—	—	—
Strong Motion Instrumentation Spec Fund	1,452	1,945	3,397	—	2,426	2,307	119	2,870	2,989	—
Structural Pest Ctrl Educ&Enforcement Fd	39	221	192	68	224	206	86	229	205	110
Tax Preparers Fund	1,069	1,418	816	1,671	1,530	715	2,486	1,583	686	3,383
Teacher Credentials Fund	2,412	9,420	10,246	1,586	10,291	9,406	2,471	10,817	11,140	2,148
Test Development and Admin Acct, Tc Fd	839	5,502	5,458	883	5,815	5,604	1,094	5,815	5,678	1,231
Transcript Reimbursement Fund	58	203	261	—	303	291	12	303	291	24
Transportation Rate Fund	7,459	23,091	20,935	9,615	19,434	20,359	8,690	19,898	17,732	10,856
Vehicle Inspection and Repair Fund	14,578	81,621	79,978	16,221	84,149	92,118	8,252	86,242	80,442	14,052
Victim Witness Assistance Fund	72	10,798	10,869	1	16,496	16,185	312	17,635	16,962	985
Underground Storage Tank Cleanup Fund	131,675	80,384	129,698	82,361	93,700	134,449	41,612	113,700	144,901	10,411
Wildlife Restoration Fund	2,213	100	2,313	—	1,618	1,378	240	1,730	1,919	51
Winter Recreation Fund	32	127	85	74	130	115	89	130	115	104
Interim Public Safety Account, LPSF	—	701,000	701,000	—	—	0	—	—	—	—
PROFESSIONS AND VOCATIONS FUNDS:										
Accountancy Fund	3,120	9,045	7,538	4,627	10,602	9,308	5,921	9,279	9,680	5,520
Architectural Examiners Fd, St Bd of	1,764	3,781	3,605	1,940	2,617	3,891	666	3,471	3,855	282
Cemetery Fund	102	292	331	63	302	219	146	306	419	33
Contractors License Fund	12,179	32,131	33,235	11,075	39,549	37,967	12,657	38,807	38,785	12,679
Dentistry Fund, State	1,966	5,046	4,630	2,382	6,448	5,385	3,445	5,799	5,980	3,264
Funeral Directors and Embalmers Fund, St	218	697	706	209	745	497	457	771	922	306
Home Furnish & Thermal Insulat Fd, Burea	1,219	1,960	2,507	672	3,754	2,875	1,551	2,191	2,895	847
Licensed Midwifery Fund	—	70	21	49	16	58	7	30	35	2
Landscape Architects Fund, Cal St Bd of	380	509	525	364	502	505	361	513	500	374
Medical Examiners, Board of, Contingent	5,729	28,495	28,987	5,237	30,966	32,182	4,021	30,801	32,954	1,868
Physical Therapy Fund	97	980	970	107	1,082	1,003	186	1,249	1,172	263
Registered Nursing Fund, Board of	5,677	12,093	10,502	7,268	12,251	12,123	7,396	12,234	13,221	6,409
Optometry Fund, State	186	975	791	370	1,072	893	549	1,122	1,021	650
Pharmacy Board Contingent Fund	1,918	4,204	4,136	1,986	3,946	4,963	969	3,812	4,778	3
Private Investigator Fund	183	4,665	4,754	94	5,559	5,173	480	199	611	68
Professional Engineer & Land Surveyor Fd	1,574	6,878	5,790	2,662	6,147	6,065	2,744	6,498	6,067	3,175
Court Reporters Fund	202	568	492	278	548	612	214	538	195	557
Behavioral Science Examiners Fund	877	4,334	4,570	641	4,302	4,774	169	4,385	4,537	17
Structural Pest Control Fund	1,538	2,866	2,209	2,195	3,104	2,560	2,739	3,197	2,710	3,226
Veterinary Examiners Contingent Fund, Bd	284	925	958	251	953	986	218	1,042	1,042	218

Schedule 10
SUMMARY OF FUND CONDITION BY FUNDS AS OF JUNE 30, 1993, 1994, 1995 AND 1996--Continued
(dollars in thousands)

<i>Fund</i>	<i>Reserves June 30, 1993</i>	<i>Actual Income 1993-94</i>	<i>Actual Expenditures 1993-94</i>	<i>Reserves June 30, 1994</i>	<i>Estimated Income 1994-95</i>	<i>Estimated Expenditures 1994-95</i>	<i>Reserves June 30, 1995</i>	<i>Estimated Income 1995-96</i>	<i>Estimated Expenditures 1995-96</i>	<i>Reserves June 30, 1996</i>
Vocational Nurse Examiners Fund	760	3,468	3,500	728	3,448	3,755	421	3,438	3,642	217
Psychiatric Technicians Account	242	828	894	176	1,051	1,091	136	1,143	1,112	167
UNSPECIFIED SPECIAL FUNDS:										
Interest Payments to the Federal Govt	—	—	—	—	—	1	-1	—	1	-2
Reserve for Contingencies or Emergency	—	—	—	—	—	1,500	-1,500	—	1,500	-3,000
State Controller	—	—	—	—	—	100	-100	—	203	-303
TOTALS, SPECIAL FUNDS	1,715,169	12,288,396	12,746,468	1,257,097	12,235,557	12,340,328	1,152,326	13,520,743	13,792,366	880,703
GRAND TOTALS	2,258,693	50,783,825	51,704,391	1,338,127	54,413,172	54,033,236	1,718,063	55,033,279	55,518,549	1,232,793

Schedule 11

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY¹
(Dollars in thousands)

Fund No.	Title	June 30, 1993				June 30, 1994			
		Cash	Securities	Due from Surplus Money Investment Fund	Totals	Cash	Securities	Due from Surplus Money Investment Fund	Totals
Nongovernmental Cost Funds									
PUBLIC SERVICE ENTERPRISE FUNDS									
049	Toll Bridge Revenue Account, STF	\$1	—	\$46,482	\$46,483	\$3	—	\$55,979	\$55,982
107	Abandoned Vehicle Trust Fund	25	—	1,845	1,845	1,989	—	—	1,989
500	SF Bay Bridges—North	3	—	185,827	185,830	3	—	198,831	198,834
501	California Housing Finance Fund	24	\$520,487	372,965	893,476	28	\$509,542	423,600	933,176
502	California Water Resources Development Bond Fund	104	—	127,490	127,594	105	—	121,013	121,118
503	California National Guard Members Farm and Home Fund of 1978	5	2,272	4,873	7,150	5	2,272	3,788	6,065
505	Affordable Student Housing Revolving Fund	—	—	1,845	1,845	—	—	2,130	2,130
506	Central Valley Water Project Construction Fund	247	985,790	77,597	1,063,634	354	973,158	130,818	1,104,330
507	Central Valley Water Project Revenue Fund	1,062	85,724	232,732	319,518	4,915	87,059	247,926	339,900
510	California Exposition and State Fair Enterprise Fund	—	—	5,193	5,193	—	—	3,537	3,537
512	Compensation Insurance Fund	10	5,397,396	149,969	5,547,375	10	5,872,393	70,824	5,943,227
513	First-time Home Buyer Fund	1,205	—	—	1,205	754	—	—	754
514	Employment Training Fund	—	—	143,795	143,795	—	—	141,031	141,031
516	Harbors and Watercraft Revolving Fund	501	—	73,001	73,502	500	—	76,803	77,303
518	Health Facility Construction Loan Insurance Fund	1	—	112,323	112,324	1	—	124,121	124,122
523	East Bay State Building Authority Fund	1	—	18,045	18,046	1	—	19,001	19,002
524	Los Angeles State Building Authority Revenue Fund	2	98,119	1,079	99,200	1	96,386	343	96,730
525	High Tech Education Revenue Bond Fund	16	42,567	50,888	93,471	13	386,618	48,380	435,011
526	California School Financing Authority Fund	—	—	831	831	—	—	848	848
528	Alternative Energy Authority Fund	62	—	—	62	388	—	—	388
530	Mobilehome Park Purchase Fund	—	—	4,898	4,898	1	—	6,188	6,189
534	New Prison Construction Revolving Fund	—	—	16,165	16,165	1	—	17,121	17,122
535	California Main Street Program Fund	14	—	14	14	—	—	—	—
536	San Diego-Coronado Toll Revenue Fund	1	—	24,593	24,594	—	—	11,581	11,581
537	Capitol Area Development Fund	1	—	1,101	1,102	—	—	760	761
538	San Francisco State Building Fund	—	—	—	—	—	—	3,821	3,822
542	San Francisco-Oakland Bay Bridge Toll Revenue Fund	25	—	215	240	26	—	224	250
549	Small Craft Harbor Bond Fund	1	—	32	33	—	—	33	33
559	Small Craft Harbor Improvement Fund	11	—	2,438	2,449	10	—	2,707	2,717
560	State Lottery Fund	—	—	124,641	124,642	1	—	164,084	164,085
562	State Coastal Conservancy Fund	1	—	—	—	—	—	—	—
565	Tahoe Conservancy Fund	14,637	—	—	14,637	12,408	—	—	12,408
568	Uninsured Employers Account	492	—	—	492	481	—	—	481
571	State University and Colleges Continuing Education Revenue Fund	55	—	—	55	179	—	—	179
573	State University and Colleges Dormitory Building Maintenance and Equipment Reserve Fund	51	—	56,648	56,699	50	—	61,991	62,041
575	State University and Colleges Dormitory Construction Fund	9	—	70,384	70,393	8	—	73,334	73,342
576	State University and Colleges Dormitory Interest and Redemption Fund	392	—	69,460	69,852	328	16,414	50,014	66,756
578	State University and Colleges Dormitory Revenue Fund	24	46,430	42,650	89,104	23	15,203	20,475	35,701
580	University Facility Revenue Fund	685	—	84,719	85,404	686	—	100,780	101,466
581	State University and Colleges Parking Revenue Fund	1	—	7,785	7,786	1	—	7,252	7,253
583	San Francisco Bay Bridges, South	3	4,955	210,088	215,046	5	41,053	228,086	269,144
586	Unemployment Compensation Disability Fund	10	—	314,558	314,568	11	—	1,085,717	1,085,728
588	Veterans Debutery Revenue Fund	1	80,094	9,260	89,355	2	80,113	9,260	89,375
590	Indemnity—Veterans Fund	—	—	4,669	4,669	—	—	6,045	6,046
591	Veterans Farm and Home Building Fund of 1943	109	57,788	1,184,663	1,242,560	111	56,466	1,058,832	1,115,409
592	Vincent Thomas Bridge Toll Revenue Fund	—	—	8,459	8,459	—	—	8,956	8,956
596	Total, Public Service Enterprise Funds	\$19,792	\$7,321,622	\$3,843,139	\$11,184,553	\$23,420	\$8,136,677	\$4,588,625	\$12,748,722
WORKING CAPITAL AND REVOLVING FUNDS									
048	Transportation Revolving Account, STF	\$11	—	\$137,687	\$137,698	\$11	—	\$198,552	\$198,563
601	Agriculture Building Fund	1	—	1,283	1,284	—	—	1,799	1,799
602	Architecture Revolving Fund	84,024	—	—	84,024	114,275	—	—	114,275
604	Armory Fund	1	—	185	186	—	—	133	133

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY¹—Continued
(Dollars in thousands)

Appendix 57

Schedule 11—Continued
STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY¹—Continued
(Dollars in thousands)

Fund No.	Title	June 30, 1993			June 30, 1994				
		Cash	Securities	Due from Surplus Money Investment Fund	Totals	Cash	Securities	Due from Surplus Money Investment Fund	Totals
Nongovernmental Cost Funds									
727	1984 County Jail Capital Expenditure Fund	—	—	571	571	1	—	—	318
728	Recreation & Fish & Wildlife Enhancement Fund	928	—	—	928	923	—	317	923
729	Senior Center Bond Act Fund	264	—	—	264	246	—	—	246
730	State Coastal Conservancy Fund of 1984	639	—	5,690	6,329	638	—	4,071	4,709
732	State Beach, Park, Recreational and Historical Facilities Fund	185	—	—	185	—	—	—	185
733	State Beach, Park, Recreational and Historical Facilities Fund of 1974	2,499	—	—	2,499	2,409	—	—	2,409
736	State Construction Program Fund	935	—	—	935	935	—	—	935
737	State Clean Water and Water Conservation Fund	—	—	3,779	3,779	—	—	—	921
740	State Clean Water Bond Fund of 1984	2,112	—	75,325	77,437	3,195	—	58,827	62,022
742	State, Urban, and Coastal Park Fund	3,379	—	37	3,416	—	—	2,480	2,480
743	State School Building Lease-Purchase Fund	1	—	37,319	37,320	—	—	12,574	12,574
744	Water Conservation, Water Quality Bond Fund of 1986	3	—	35,334	35,337	1	—	29,854	29,855
745	School Facilities Bond Act, June 1992	1	—	91,668	91,669	2	—	189,025	189,027
746	1986 Prison Construction Fund	1	—	18,110	18,111	2	—	59,889	59,891
747	Prison Construction Fund, 1988	2	—	34,279	34,281	3	—	25,496	25,499
748	Fish and Wildlife Habitat Enhancement	2	—	3,367	3,369	2	—	1,240	1,242
749	Refunding Escrow Fund	—	—	—	—	—	—	2,362	145,508
751	1990 Prison Construction Bond Fund	3	—	48,101	48,104	3	\$143,145	27,340	27,343
756	Passenger Rail Bond Fund of 1990	—	—	73,914	73,914	1	—	86,196	86,197
762	Oil Spill Bond Expense Account	—	—	351	351	—	—	310	310
764	Clean Water and Reclamation Fund	54	—	23,546	23,600	—	—	15,894	15,894
765	School Facilities Bond Act, Nov. 1992	—	—	150,926	150,926	—	—	77,578	77,578
768	Earthquake Public Rehabilitation Fund	2	—	6,804	6,806	2	—	15,802	15,804
774	1990 School Facilities Bond Act	—	—	92,541	92,541	1	—	75,629	75,630
776	School Facilities November 1988 Bond Act	1	—	10,567	10,568	2	—	33,395	33,397
782	Higher Education Capital Outlay Bond Fund	1	—	13,412	13,413	1	—	5,773	5,774
785	Higher Education Capital Outlay Bond Fund, 1988	2	—	8,527	8,529	3	—	1,521	1,524
786	Wildlife, Coastal and Park Conservation Fund, 1988	3	—	24,973	24,976	5	—	38,713	38,718
787	Wildlife and Natural Areas Conservation Fund	1	—	7,635	7,636	1	—	881	882
788	California Earthquake Safety and Housing Rehabilitation	—	—	55,279	55,279	—	—	35,401	35,401
789	State School Building Lease-Purchase Bond Act, 1988	2	—	84,307	84,309	1	—	1,875	1,876
790	Water Conservation Fund of 1988	1	—	4,598	4,599	—	—	4,614	4,614
791	Higher Education Facilities Bond Act	4	—	19,037	19,041	2	—	17,585	17,587
793	California Safe Drinking Water Fund	—	—	9,717	9,717	1	—	3,466	3,467
794	California Library Construction Revolving Fund	—	—	25,693	25,693	1	—	5,647	5,648
796	County Correctional Capital Expenditure and Youth Facilities Bond Fund of 1988	1	—	37,992	37,993	2	—	13,797	13,799
Total, Bond Funds		\$12,024	—	\$1,642,366	\$1,654,390	\$9,404	\$143,145	\$1,263,304	\$1,415,853
RETIREMENT FUNDS									
815	Judges' Retirement Fund	\$94	\$20,986	—	\$21,080	\$286	\$12,520	—	\$12,806
820	Legislators' Retirement Fund	422	67,625	—	68,047	449	74,374	—	74,823
821	Flexselect Benefit Fund	—	—	\$3,389	3,389	—	—	\$3,031	3,031
830	Public Employees' Retirement Fund	1	—	403,185	403,185	—	55,224,769	442,989	55,667,758
835	Teachers' Retirement Fund	—	—	250,365	250,365	1	39,499,238	246,475	39,745,714
Total, Retirement Funds		\$517	\$88,493,207	\$656,939	\$89,150,663	\$736	\$94,810,901	\$692,495	\$95,504,132
TRUST AND AGENCY FUNDS—FEDERAL									
853	Petroleum Violation Escrow Account	\$3	—	\$93,355	\$93,358	\$3	—	\$70,011	\$70,014
854	Katz School Bus Fund	—	—	57,767	57,767	1	—	26,455	26,456
855	Used Oil Collection Demonstration Grant	934	—	934	934	448	—	—	448
856	Guaranteed Return Trip Fund	246	—	—	246	164	—	—	164
861	Public Health Federal Fund	623	—	—	623	964	—	—	964
862	State Child Care Facilities Fund	4,188	—	—	4,188	3,950	—	—	3,950
863	State Child Care Capital Outlay Fund	575	—	—	575	524	—	—	524
864	Lake Tahoe Assistance Fund	359	—	—	359	261	—	—	261
869	Consolidated Work Program Fund	362	—	—	362	50	—	—	50

Schedule 11—Continued

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY¹—Continued
(Dollars in thousands)

Fund No.	Nongovernmental Cost Funds	Title	June 30, 1993				June 30, 1994			
			Cash	Securities	Due from Surplus Money Investment Fund	Totals	Cash	Securities	Due from Surplus Money Investment Fund	Totals
870	Unemployment Administration Fund		4,209	—	—	4,209	645	—	—	645
871	Unemployment Fund		1,057	—	—	1,057	787	—	—	787
888	State Legalization Impact Assistance Fund		27,633	—	—	27,633	27,607	—	—	27,607
890	Federal Trust Fund		12,515	—	—	12,515	32,379	—	—	32,379
893	Offshore Energy Assistance Fund		519	—	—	519	83	—	—	83
	Total, Trust and Agency Funds		\$53,223	—	\$151,122	\$204,345	\$67,866	—	\$96,466	\$164,332
TRUST AND AGENCY FUNDS—OTHER										
800	U.S. Olympic Committee Fund		\$1	—	—	\$1	\$1	—	—	\$1
803	State Children's Trust Fund		10	—	\$1,881	1,881	10	—	\$658	659
808	Computer Software Refund Fund		—	—	6,387	6,387	—	—	6,958	10
809	Export Finance Fund		—	—	6	7	—	—	6	6,959
810	County Health Facilities Financing Assistance Fund		1	—	737	738	1	—	675	7
811	Displaced Homemaker Emergency Loan Fund		1	—	—	1	—	—	—	676
812	Reader Employment Fund		4	—	974	978	249	—	1,641	249
813	Self-Help Housing Fund		1	—	—	1	—	—	—	1,641
816	Audit Repayment Trust Fund		289	—	—	289	247	—	—	247
817	Hazardous Substance Cleanup Financing Fund		58	—	—	58	—	—	—	737
823	California Alzheimer's Disease		921	—	—	921	737	—	—	39
824	California Export Promotion Account		795	—	—	795	39	—	—	18,155
826	Superfund Bond Trust Fund		—	—	22,997	22,997	1	—	18,155	21,114
827	Milk Producers Security Trust Fund		1	—	21,642	21,643	1	—	21,113	738
828	Hazardous Waste Reduction Loan Guarantee Account		1	—	427	428	—	—	738	131
829	Minority Health Professionals Education Fund		1	—	126	127	—	—	131	576
831	California State Lottery Education Fund		648	—	—	648	576	—	—	117,612
834	Medi-Cal Inpatient Payment Adjustment Fund		—	—	9,098	9,098	1	—	117,611	115
838	California Maritime Academy Trust Fund		99	—	—	99	115	—	—	28,114
839	California State University Lottery Education Fund		1	—	20,987	20,988	1	—	28,114	2,262
840	California Motorcycle Safety Fund		1	—	2,530	2,531	1	—	87	87
843	California Housing Trust Fund		—	—	53	53	—	—	—	49
844	Collins-Dugan CA Conservation Corps Fund		—	—	—	—	49	—	—	1
845	Mental Health Primary Prevention Fund		24	—	—	24	1	—	—	1,731
847	Asset Forfeiture Fund		1	—	777	778	—	—	1,731	133
848	California Healthcare Indigent Program		1	—	46	47	—	—	40	41
872	Mental Health Facilities Fund		1	—	10,914	10,915	1	—	—	1
873	Institute for Mental Disease Account		1	—	119	120	1	—	—	183
886	California Seniors Special Fund		—	—	213	213	—	—	182	37,349
896	County Medical Services Program		—	—	15,912	15,912	—	—	37,349	391
899	County Health Account		—	—	2,337	2,337	1	—	307	2
900	Local Health Capital Expenditure Account		1	—	1,211	1,212	—	—	2	88
901	Medically Indigent Services Account		1	—	126	127	—	—	20,165	20,167
902	Mining and Mineral Museum Fund		8	—	18,510	18,512	2	—	—	97
904	California Health Facilities Authority Fund		117	—	117	117	—	—	40,094	40,104
905	California Election Campaign Fund		10	—	18,292	18,302	10	—	113,633	113,634
908	School Employees Fund		803	—	115,754	115,755	1,131	—	3,501	50,181
909	Community College Instructional Improvement Fund		—	—	2,995	2,996	—	—	—	168
910	Condemnation Deposits Fund		1	—	—	1	—	—	163	23,175
911	Educational Facilities Authority Fund		1	—	119	120	—	—	16,177	26,189
912	Health Care Deposit Fund		1	—	382	383	—	—	5,946	5,952
913	Industrial Relations Unpaid Wage Fund		1	—	15,800	15,801	6	—	5,282	148,504
914	Bay Fill Clean-Up and Abatement Fund		1	—	5,662	5,667	—	—	148,504	6,635
915	Deferred Compensation Plan Fund		1	—	912	913	—	—	6,635	23
916	Housing Insurance Fund		1	—	167,660	167,661	—	—	—	9,572,014
917	Homages Welfare Fund		5,001	—	7,839	7,840	23	—	—	—
918	Small Business Expansion Fund		—	—	—	—	—	—	—	—
920	Litigation Deposit Fund		1	—	—	—	—	—	—	—
922	California Economic Development Grant and Loan Fund		1	—	—	—	—	—	—	—
923	Immunization Adverse Reaction Fund		23	—	—	23	—	—	—	—
924	Local Agency Investment Fund		9,449,624	—	—	9,449,624	9,572,014	—	—	—

Schedule 11—Continued

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY¹—Continued
(Dollars in thousands)

Fund No.	Title	June 30, 1993				June 30, 1994			
		Cash	Securities	Due from Investment Fund	Totals	Cash	Securities	Due from Investment Fund	Totals
925	California Business, Resources and Assistance Innovation Network Fund.....	6	—	—	6	19	—	—	19
927	Farmworker Housing Grant Fund.....	3,080	—	—	3,080	3,723	—	—	3,723
928	Forest Resources Improvement Fund.....	1	—	15,053	15,054	—	—	9,439	9,439
929	Housing Rehabilitation Loan Fund.....	—	—	623	623	—	—	1,248	1,248
930	Pollution Control Financing Authority Fund.....	8	2,075	70,101	72,184	12	2,340	71,433	73,785
932	Trial Court Trust Fund.....	10,435	—	—	10,435	20,636	—	—	20,636
933	Local Agency Indebtedness Fund.....	1,849	—	—	1,849	—	—	—	—
936	Homeownership Assistance Fund.....	1	—	510	511	—	—	2,487	2,488
938	Rental Housing Construction Incentive Fund.....	—	—	35,246	35,246	1	—	36,703	36,704
939	Nutrition Reserve Fund.....	356	—	—	356	1	—	—	1
940	Renewable Resources Investment Fund.....	863	—	—	863	—	—	—	—
941	Santa Monica Mountains Conservancy Fund.....	59	—	—	59	—	—	—	—
942	Special Deposit Fund.....	363	17	232,321	232,701	77	17	2,225,307	2,227,934
943	Land Bank Fund.....	—	—	4,478	4,478	1	—	4,484	4,485
945	California Breast Cancer Research Fund.....	325	—	—	325	607	—	—	607
946	Student Security Trust Fund.....	1	—	17	18	1	—	18	19
947	California State University and Colleges Special Project Fund.....	11	—	9,415	9,426	11	—	7,107	7,118
948	California State University and Colleges Trust Fund.....	11	—	40,068	40,079	10	—	27,149	27,159
950	State Employees Contingency Reserve Fund.....	36	—	—	36	42	3,208	—	3,250
951	State Guaranteed Loan Reserve Fund.....	21	2,799	26,588	29,609	22	—	187,853	187,875
952	State Park Contingent Fund.....	—	—	4,277	4,277	1	—	4,603	4,604
953	Allred E. Alquist Earthquake Fund.....	25	—	—	25	22	—	—	22
954	Student Loan Authority Fund.....	—	—	6,340	6,340	—	—	6,495	6,495
955	State Instructional Materials Fund.....	113	—	—	113	82	—	—	82
956	State School Site Utilization Fund.....	9,235	—	—	9,235	7,847	—	—	7,847
957	Voluntary Alliance Uniting Employers Fund.....	—	—	—	—	—	—	916	916
959	Foster Parent Training Fund.....	666	—	—	666	729	—	—	729
960	Student Tuition Recovery Fund.....	1	—	1,144	1,145	—	—	1,249	1,249
961	State School Deferred Maintenance Fund.....	7,614	—	—	7,614	6,053	—	—	6,053
962	Volunteer Firefighters Length of Service Award Fund.....	30	886	—	916	4	628	—	632
963	Teacher Tax Shelter Annuity Fund.....	41	26,787	—	26,828	8	18,267	—	18,275
965	Timber Tax Fund.....	1	—	66	67	—	—	84	84
969	Public Safety Account.....	—	—	—	—	130,676	—	—	130,676
970	Unclaimed Property Fund.....	57,253	220	—	57,473	22,622	220	—	22,842
972	Mobilehome Recovery Fund.....	—	—	641	641	1	—	723	724
973	Asbestos Abatement Fund.....	117	—	—	117	175	—	—	175
974	Child Care Fund.....	45	—	—	45	45	—	—	45
975	CA Public School Library Protection Fund.....	—	—	—	—	300	—	—	300
977	Resident-Run Housing Revolving Fund.....	—	—	165	165	—	—	—	—
980	Urban Predevelopment Loan Fund.....	1	—	3,091	3,091	1	—	170	171
981	California State World Trade Commission Fund.....	—	—	3,090	3,090	—	—	430	430
982	California Urban Waterfront Area Resource Financing Authority.....	213	—	—	213	320	—	—	320
983	California Seniors Fund.....	1	—	87	88	—	—	91	91
984	Rural Community Facility Grant.....	—	—	506	506	1	—	219	220
985	Emergency Housing and Assistance Fund.....	48	—	—	48	48	—	—	48
	Total, Trust and Agency Funds—Other.....	1	—	8,440	8,441	1	—	7,594	7,595
	TOTALS, NONGOVERNMENTAL COST FUNDS.....	\$9,662,735	\$54,894	\$932,601	\$10,650,230	\$9,832,484	\$47,188	\$3,194,851	\$13,074,523
		\$20,844,754	\$96,518,112	\$8,703,232	\$126,066,098	\$24,431,433	\$104,020,604	\$11,664,983	\$140,117,020
	GOVERNMENTAL COST FUNDS.....								
	Special Funds.....	\$837,221	\$1,928	\$1,458,650	\$2,297,799	\$852,177	\$1,928	\$1,828,933	\$2,683,038
	Subtotal, Cash Assets.....	\$21,681,975	\$96,520,040	\$10,161,882	\$128,363,897	\$25,283,610	\$104,022,532	\$13,493,916	\$142,800,058
	OTHER BALANCES.....								
	Agency Bank Accounts.....	\$355,441	—	—	\$355,441	\$557,139	—	—	\$557,139
	Uncleared Collections.....	2,025	—	—	2,025	227	—	—	227

Schedule 11—Continued

STATEMENT OF CASH AND SECURITIES OF ALL FUNDS IN THE TREASURY ¹—Continued
(Dollars in thousands)

Fund No.	Title	June 30, 1993				June 30, 1994			
		Cash	Securities	Due from Surplus Money Investment Fund	Totals	Cash	Securities	Due from Surplus Money Investment Fund	Totals
	Outstanding Warrants.....	714,979	—	—	714,979	1,037,267	—	—	1,037,267
	Fiscal Agents.....	56,170	—	—	56,170	36,773	—	—	36,773
	Pooled Money Investment Account.....	—20,594,859	\$20,594,859	—	—	—24,415,612	\$24,415,612	—	—
	Time Deposits in Banks.....	—162,510	162,510	—	—	—108,475	108,475	—	—
	TOTALS, ALL FUNDS.....	\$2,053,221	\$117,277,409	\$10,161,882	\$129,492,512	\$2,390,929	\$128,546,619	\$13,493,916	\$144,431,464

¹ Only includes funds with balances.

Schedule 12
STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1994
GENERAL OBLIGATION BONDS
(Dollars in Thousands)

(This statement does not include bonds issued under authority of State instrumentalities
that are not general obligations of the State of California)

GENERAL FUND BONDS		Maturity	Authorized	Unsold	Outstanding	Redemptions
BUSINESS, TRANSPORTATION AND HOUSING						
788	California Earthquake Safety and Housing Rehabilitation Bond Act of 1988.....	1990-2010	\$150,000	—	\$120,015	\$29,985
513	First-Time Homebuyers Bond Act of 1982 ¹	1988-1999	15,000	—	2,035	12,965
714	Housing and Homeless Bond Act of 1988.....	1990-2001	300,000	—	187,590	112,410
714	Housing and Homeless Bond Act of 1990.....	1991-2002	150,000	—	114,755	35,245
703	Clean Air and Transportation Improvement Bond Act of 1990.....	1991-2024	1,990,000	\$1,265,300	663,260	61,440
756	Passenger Rail and Clean Air Bond Act of 1990.....	1991-2014	1,000,000	286,900	640,990	72,110
	Total, Business, Transportation and Housing.....		\$3,605,000	\$1,552,200	\$1,728,645	\$324,155
NATURAL RESOURCES						
722	California Park and Recreational Facilities Act of 1984.....	1985-2024	\$370,000	\$18,000	\$263,940	\$88,060
721	California Parklands Act of 1980.....	1982-2024	285,000	—	120,905	164,095
707	California Safe Drinking Water Bond Law of 1976.....	1981-2011	175,000	10,000	90,435	74,565
707	California Safe Drinking Water Bond Law of 1984.....	1986-2022	75,000	3,000	54,290	17,710
707	California Safe Drinking Water Bond Law of 1986.....	1991-2024	100,000	36,000	56,770	7,230
793	California Safe Drinking Water Bond Law of 1988.....	1991-2024	75,000	38,000	34,610	2,390
786	California Wildlife, Coastal, and Park Land Conservation Act of 1988.....	1990-2024	776,000	161,000	539,040	75,960
716	Community Parklands Act of 1986.....	1990-2022	100,000	—	83,270	16,730
748	Fish and Wildlife Habitat Enhancement Act of 1984.....	1986-2024	85,000	6,000	57,280	21,720
720	Lake Tahoe Acquisitions Bond Act.....	1986-2014	85,000	1,000	63,185	20,815
728	Recreation and Fish and Wildlife Enhancement Bond Act of 1970.....	1972-1995	60,000	—	1,000	59,000
733	State Beach, Park, Recreational and Historical Facilities Bond Act.....	1967-2003	400,000	—	43,400	356,600
742	State, Urban and Coastal Park Bond Act of 1976.....	1978-2023	280,000	4,000	79,830	196,170
744	Water Conservation and Water Quality Bond Law of 1986.....	1993-2024	150,000	57,000	81,665	11,335
790	Water Conservation Bond Law of 1988.....	1991-2024	60,000	39,000	20,080	920
734	Clean Water Bond Law of 1970.....	1972-2011	250,000	—	17,000	233,000
734	Clean Water Bond Law of 1974.....	1978-2011	250,000	—	64,135	185,865
740	Clean Water Bond Law of 1984.....	1986-2024	325,000	—	245,660	79,340
	Total, Natural Resources.....		\$3,901,000	\$373,000	\$1,916,495	\$1,611,505
ENVIRONMENTAL QUALITY						
737	Clean Water and Water Conservation Bond Law of 1978.....	1981-2024	\$375,000	\$5,400	\$155,150	\$214,450
764	Clean Water and Water Reclamation Bond Law of 1988.....	1991-2022	65,000	28,000	33,045	3,955
	Total, Environmental Quality.....		\$440,000	\$33,400	\$188,195	\$218,405
HEALTH AND WELFARE						
740	Hazardous Substance Cleanup Bond Act of 1984.....	1986-2005	\$100,000	—	\$61,825	\$38,175
729	Senior Center Bond Act of 1984.....	1986-2006	50,000	—	29,750	20,250
	Total, Health and Welfare.....		\$150,000	—	\$91,575	\$58,425
YOUTH AND ADULT CORRECTIONAL						
796	County Correctional Facility Capital Expenditure and Youth Facility Bond Act of 1988.....	1991-2024	\$500,000	\$99,000	\$351,285	\$49,715
711	County Correctional Facility Capital Expenditure Bond Act of 1986.....	1989-2022	495,000	2,000	415,850	77,150
725	County Jail Capital Expenditure Bond Act of 1981.....	1984-2011	280,000	—	175,525	104,475
727	County Jail Capital Expenditure Bond Act of 1984.....	1986-2009	250,000	—	159,500	90,500
723	New Prison Construction Bond Act of 1981.....	1983-2006	495,000	—	249,500	245,500
724	New Prison Construction Bond Act of 1984.....	1985-2006	300,000	—	167,500	132,500
746	New Prison Construction Bond Act of 1986.....	1989-2014	500,000	18,000	385,780	96,220
747	New Prison Construction Bond Act of 1988.....	1991-2014	817,000	26,000	665,150	125,850
751	New Prison Construction Bond Act of 1990.....	1991-2014	450,000	67,000	336,925	46,075
	Total, Youth and Adult Correctional.....		\$4,087,000	\$212,000	\$2,907,015	\$967,985

Schedule 12—Continued
STATEMENT OF BONDED DEBT OF THE STATE OF CALIFORNIA AS OF DECEMBER 31, 1994—Continued
GENERAL OBLIGATION BONDS—Continued
(Dollars in Thousands)

(This statement does not include bonds issued under authority of State instrumentalities that are not general obligations of the State of California)

GENERAL FUND BONDS—Continued									
					Maturity	Authorized	Unsold	Outstanding	Redemptions
EDUCATION—K-12									
794	California Library Construction and Renovation Bond Act of 1988.....				1991-2024	\$75,000	\$23,000	\$47,370	\$4,630
776	1988 School Facilities Bond Act (Nov).....				1991-2024	800,000	64,000	614,440	121,560
774	1990 School Facilities Bond Act (Nov).....				1991-2023	800,000	55,000	635,945	109,055
765	1992 School Facilities Bond Act (Nov).....				1994-2024	900,000	65,094	826,306	8,600
789	School Facilities Bond Act of 1988.....				1990-2011	800,000	—	644,315	155,685
708	School Facilities Bond Act of 1990.....				1991-2023	800,000	56,000	661,215	82,785
745	School Facilities Bond Act of 1992.....				1993-2024	1,900,000	65,000	1,762,950	72,050
743	State School Building Lease-Purchase Bond Law of 1982.....				1985-2005	500,000	—	220,175	279,825
743	State School Building Lease-Purchase Bond Law of 1984.....				1987-2011	450,000	—	305,000	145,000
743	State School Building Lease-Purchase Bond Law of 1986.....				1990-2011	800,000	—	626,800	173,200
	Total, Education—K-12.....					\$7,825,000	\$328,094	\$6,344,516	\$1,152,390
HIGHER EDUCATION									
736	Community College Construction Program Bond Act of 1972.....				1974-1997	\$160,000	—	\$6,750	\$153,250
718	Health Science Facilities Construction Program Bond Act of 1971.....				1974-1998	155,900	—	20,180	135,720
782	Higher Education Facilities Bond Act of 1986.....				1989-2011	400,000	—	303,500	96,500
785	Higher Education Facilities Bond Act of 1988.....				1990-2024	600,000	\$19,700	484,350	95,950
791	Higher Education Facilities Bond Act of June 1990.....				1991-2024	450,000	36,500	357,955	55,545
705	Higher Education Facilities Bond Act of June 1992.....				1993-2024	900,000	380,000	503,660	16,340
	Total, Higher Education.....					\$2,665,900	\$436,200	\$1,676,395	\$553,305
GENERAL GOVERNMENT									
768	Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990.....				1991-2013	\$300,000	\$272,000	\$25,300	\$2,700
	Total, General Government.....					\$300,000	\$272,000	\$25,300	\$2,700
	Total, General Fund Bonds.....					\$22,973,900	\$3,206,894	\$14,878,136	\$4,888,870
PARTIALLY SELF-LIQUIDATING BONDS ²									
	State School Building Aid Bonds.....				1955-2001	\$2,140,000	\$40,000	\$54,500	\$2,045,500
SELF-LIQUIDATING BONDS ³									
	California Water Resources Development Bond Act of 1959.....				1973-2024	\$1,750,000	\$167,600	\$1,161,960	\$420,440
	Harbor Development Bond Law of 1958 ⁴				1964-1998	60,000	—	2,945	57,055
	Veterans Bonds.....				1958-2019	6,860,000	639,900	2,753,310	3,466,790
	Total, Self-Liquidating Bonds.....					\$10,810,000	\$847,500	\$3,972,715	\$5,989,785
	TOTALS, ALL GENERAL OBLIGATION BONDS.....					\$33,783,900	\$4,054,394	\$18,850,851	\$10,878,655

¹ Amount authorized was reduced from \$200 million to \$15 million, pursuant to Chapter 116, Statutes of 1993.

² The state school building issues debt service payments are partially refinanced with funds of the borrowing school districts over a 30- to 40-year repayment period as prescribed by statutes.

³ The California Water Resource Development Bond Act, the San Francisco Harbor Improvement Acts, and the Veterans Bond Acts are public service enterprises that have their own revenues to finance their respective debt service expenditures.

⁴ The Harbor Development Bond Law of 1958 includes an authorization of \$50,000,000 for San Francisco harbor development and \$10,000,000 for the development of small craft harbors as provided by Chapter 103, Statutes of 1958, First Extraordinary Session.

Schedule 13-A
STATE APPROPRIATIONS LIMIT SUMMARY
(Dollars in Millions)

	<i>1993-94</i>			<i>1994-95</i>			<i>1995-96</i>		
	<i>General Fund</i>	<i>Special Funds</i>	<i>Total</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Total</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Total</i>
Schedule 8:									
Revenues and Transfers	\$40,095	\$12,289	\$52,384	\$42,353	\$12,235	\$54,588	\$42,538	\$13,520	\$56,058
Less/Add: Transfers	-492	408	-84	-371	266	-105	-219	157	-62
Schedule 13-B:									
Less: Excluded Revenue.....	-	-3,763	-3,763	-	-3,191	-3,191	-	-3,265	-3,265
Schedule 13-C:									
Less: Non-Tax Revenue.....	-814	-396	-1,210	-833	-370	-1,203	-484	-510	-994
Schedule 13-D:									
Add: SAL Transfers	65	51	116	15	52	67	3	54	57
TOTAL, SAL Revenues and Transfers	\$38,854	\$8,589	\$47,443	\$41,164	\$8,992	\$50,156	\$41,838	\$9,956	\$51,794
Schedule 13-E:									
Less: Exclusions	-13,045	-4,348	-17,393	-14,238	-4,417	-18,655	-15,105	-4,522	-19,627
TOTAL, SAL Appropriations.....			\$30,050			\$31,501			\$32,167
CALCULATION OF LIMIT ROOM:									
Appropriations Limit (Sec. 12.00)			\$36,599			\$37,554			\$39,402
Less: Total SAL Appropriations.....			-30,050			-31,501			-32,167
Appropriation Limit Room/(Surplus)			\$6,549			\$6,053			\$7,235

Schedule 13-B
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)

<i>Source Code</i>	<i>Source</i>	<i>Actual 1993-94</i>	<i>Estimated 1994-95</i>	<i>Estimated 1995-96</i>
MAJOR REVENUES:				
110500	Cigarette Tax	\$485,806	\$482,200	\$467,700
110900	Horse Racing Fees-Licenses.....	11,676	11,671	12,200
111100	Horse Racing Fines and Penalties.....	1,201	1,142	1,142
114900	Retail Sales and Use Taxes.....	701,000	-	-
	Total, Major Taxes and Licenses	\$1,199,683	\$495,013	\$481,042
MINOR REVENUES:				
REGULATORY TAXES AND LICENSES:				
120200	General Fish and Game Taxes.....	\$1,603	\$1,661	\$1,475
120300	Electrical Energy Tax.....	40,691	41,912	42,750
120600	Quarterly Public Utility Comm Fees.....	75,882	73,756	73,858
120700	Penalties on Public Utility Comm Qtrly Fees.....	3	5	5
120900	Off-Highway Vehicle Fees.....	1,270	1,400	1,400
121000	Liquor License Fees.....	35,703	32,790	33,045
121100	Genetic Disease Testing Fees.....	39,110	49,356	58,989
121200	Other Regulatory Taxes	46,395	54,543	56,471
121300	New Motor Vehicle Dealer License Fee	540	1,378	1,550
121500	General Fish and Game License Tags Permits.....	64,926	64,338	68,446
122400	Elevator and Boiler Inspection Fees.....	8,466	8,918	10,227
122700	Employment Agency License Fees.....	324	651	1,465
122900	Teacher Credential Fees.....	8,013	8,623	9,139
123000	Teacher Examination Fees.....	5,502	5,741	5,741
123100	Insurance Company License Fees & Penalties	20,464	23,777	24,360
123200	Insurance Company Examination Fees	13,932	14,768	14,768
123300	Other Insurance Department Fees.....	28,202	29,894	29,894
123400	Division of Real Estate Examination Fees.....	2,498	2,409	2,544
123500	Division of Real Estate License Fees.....	17,542	17,664	17,763
123600	Subdivision Filing Fees.....	4,512	4,999	5,269
123800	Building Construction Filing Fees	1,643	1,600	1,600
124000	Savings and Loan Fees.....	18	-	-
124100	Domestic Corporation Fees.....	4,873	5,117	5,372
124200	Foreign Corporation Fees	2,220	2,331	2,448
124300	Notary Public License Fees	735	764	795
124400	Filing Financing Statements.....	2,047	2,108	2,172
125100	Beverage Container Redemption Fees	339,855	337,600	335,600
125300	Processing Fees.....	20,055	21,610	23,136
125400	Hazardous Waste Control Fees.....	56,952	55,796	56,070
125600	Other Regulatory Fees.....	338,668	372,291	402,146
125700	Other Regulatory Licenses and Permits.....	199,449	213,114	224,367
125800	Renewal Fees	108,589	118,124	116,360
125900	Delinquent Fees.....	2,088	2,066	2,122
	Total, Regulatory Taxes and Licenses.....	\$1,492,770	\$1,571,104	\$1,631,347
REVENUE FROM LOCAL AGENCIES:				
130600	Architecture Public Building Fees.....	\$28,730	\$26,400	\$26,800
130700	Penalties on Traffic Violations	79,605	89,772	95,874
130800	Penalties on Felony Convictions	6,568	9,975	9,975
130900	Fines-Crimes of Public Offense	2,415	2,657	2,923
131000	Fish and Game Violation Fines	531	530	530
131100	Penalty Assessments on Fish and Game Fines	419	440	471
131200	Interest on Loans to Local Agencies	1,113	572	572
131600	Fingerprint ID Card Fees	22,324	25,571	26,746
131700	Miscellaneous Revenue from Local Agencies.....	1,341	1,599	1,782
131900	Rev Local Gov't Agencies—Cost Recoveries.....	-	160	200
	Total, Revenue from Local Agencies.....	\$143,046	\$157,676	\$165,873
SERVICES TO THE PUBLIC:				
140600	State Beach and Park Service Fees.....	\$47,992	\$52,900	\$52,900
140900	Parking Lot Revenues	6,053	6,671	6,671
141200	Sales of Documents.....	1,146	1,268	1,271
142000	General Fees—Secretary of State.....	7,795	8,243	8,821
142200	Parental Fees	1,950	2,141	1,900
142500	Miscellaneous Services to the Public	14,514	15,470	22,812
142800	California State University Fees.....	535,646	573,214	574,801
143000	Personalized License Plates.....	32,767	32,034	31,627
	Total, Services to the Public.....	\$647,863	\$691,941	\$700,803

Schedule 13-B
STATE APPROPRIATIONS LIMIT
REVENUES TO EXCLUDED FUNDS
(Dollars In Thousands)

<i>Source Code</i>	<i>Source</i>	<i>Actual 1993-94</i>	<i>Estimated 1994-95</i>	<i>Estimated 1995-96</i>
USE OF PROPERTY AND MONEY:				
150200	Income from Pooled Money Investments	\$894	\$420	\$319
150300	Income from Surplus Money Investments	41,036	38,671	36,859
150400	Interest Income from Loans	1,929	1,521	2,254
150500	Interest Income from Interfund Loans	17	56	—
150600	Income from Other Investments	147	186	229
151200	Income from Condemnation Deposits Fund	2	2	2
151800	Federal Land Royalties	14,958	16,180	16,180
152200	Rentals of State Property	529	779	749
152300	Miscellaneous Revenue from Use of Property & Money	7,992	8,623	8,470
152400	School Land Royalties	565	44	44
152500	State Land Royalties	14,427	—	—
	Total, Use of Property and Money	\$82,496	\$66,482	\$65,106
MISCELLANEOUS:				
160200	Penalties and Interest on UI and DI Contribution	\$58,851	\$63,902	\$65,815
160400	Sale of Fixed Assets	76	75	72
160500	Sale of Confiscated Property	3,618	67	67
160600	Sale of State's Public Lands	29	—	—
161000	Escheat of Unclaimed Checks and Warrants	206	180	180
161400	Miscellaneous Revenue	52,870	51,124	66,090
161800	Penalties and Interest on Personal Income Tax	6,523	6,500	6,500
161900	Other Revenue—Cost Recoveries	18,199	25,285	21,236
164100	Traffic Violations	4,705	4,705	4,705
164200	Parking Violations	114	110	110
164300	Penalty Assessments	49,820	53,748	53,757
164400	Civil and Criminal Violation Assessment	1,869	2,708	2,708
	Total, Miscellaneous	\$196,880	\$208,404	\$221,240
	TOTAL, MINOR REVENUES	\$2,563,055	\$2,695,607	\$2,784,369
	TOTALS, Revenue to Excluded Funds (Major and Minor)	\$3,762,738	\$3,190,620	\$3,265,411

Schedule 13-C
STATE APPROPRIATIONS LIMIT
NON-TAX REVENUES IN FUNDS SUBJECT TO LIMIT
(In Thousands)

Revenue	1993-94		1994-95		1995-96	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Attorney General Proceeds of Anti-Trust	—	\$18	—	\$9,406	—	—
Candidate Filing Fee.....	\$584	—	\$57	—	\$540	—
Civil and Criminal Violation Assessment.....	93	—	150	—	150	—
Driver's License Fees.....	—	100,280	—	103,500	—	\$108,500
Elevator and Boiler Inspection Fees.....	314	—	314	—	314	—
Emergency Telephone Users Surcharge	—	70,971	—	68,032	—	68,032
Employment Agency Filing Fees.....	13	—	13	—	13	—
Employment Agency License Fees.....	476	26	514	27	514	27
Escheat of Unclaimed Checks and Warrants	3,742	58	4,931	50	4,111	50
Explosive Permit Fees	2	—	2	—	2	—
Fire Prevention and Suppression.....	431	—	1,200	—	1,250	—
Forestry & Fire Protect Nursery Sales.....	200	—	—	—	—	—
General Fees—Secretary of State.....	68	—	94	—	70	—
Guardianship Fees.....	27	—	30	—	30	—
Horse Racing Fees—Unclaimed Tickets	421	—	413	—	410	—
Horse Racing Fines and Penalties.....	98	—	88	—	90	—
Highway Carrier Uniform Business License Tax....	5,848	—	5,800	—	5,800	—
Identification Card Fees.....	—	7,753	—	8,000	—	8,500
Income from Other Investments	—	362	—	378	—	429
Income from Surplus Money Investments	—	422	1	296	1	201
Industrial Homework Fees.....	7	—	8	—	8	—
Interest on Loans to Local Agencies	—	1,012	—	1,000	—	1,000
Medicare Receipts from Fed Govt.....	12,687	—	9,500	—	8,700	—
Miscellaneous Revenue from Use of Property and Money.....	10,165	22,141	10,276	23,431	10,276	25,518
Miscellaneous Revenue from Local Agencies.....	3,136	1,917	3,671	2,326	4,169	2,760
Miscellaneous Revenue.....	1,881	14,941	1,638	18,317	2,858	165,884
Miscellaneous Services to the Public	10,805	64,815	9,677	67,750	4,515	70,750
Narcotic Fines	2,336	—	2,135	—	2,135	—
Off-Highway Vehicle Fees.....	—	2,369	—	2,400	—	2,400
Oil and Gas Lease—1% Revenue City/County.....	111	—	90	—	85	—
Other Motor Vehicle Fees.....	—	823	—	830	—	830
Other Regulatory Fees.....	54,480	2,042	54,994	2,439	55,283	2,990
Other Regulatory Licenses and Permits.....	35,558	16,112	45,132	16,000	30,054	16,000
Other Regulatory Taxes	8,172	—	10,217	—	10,182	—
Other Revenues—Cost Recoveries	54,204	—	58,701	—	26,380	—
Parking Lot Revenues	664	—	664	—	664	—
Parking Violations.....	1	—	1	—	1	—
Pay Patients Board Charges	29,545	—	24,000	—	22,000	—
Penalty Assessments	14,419	126	14,792	100	14,792	100
Proceeds from Estates of Deceased Person.....	123	—	70	—	70	—
Quarterly Public Utility Commission Fees	—	—	—	148	—	594
Receipts from Health Care Dep Fd.....	10,099	—	8,000	—	8,000	—
Rentals of State Property	6,917	32,184	6,586	32,739	6,736	32,490
Retail Sales and Use Taxes.....	—	3,152	—	1,462	—	—
Revenue—Abandoned Property	194,301	—	160,000	—	165,000	—
Revenue Local Govt Agencies—Cost Recoveries ...	2,728	—	2,625	—	2,363	—
Sale of Confiscated Property.....	2	—	2	—	2	—
Sale of Fixed Assets.....	758	—	1,251	—	4,399	—
Sale of State's Public Lands.....	199	—	122	—	137	—
Sales of Documents.....	419	1,317	433	1,405	433	1,505
School Land Royalties.....	273	—	—	—	—	—
State Land Royalties.....	44,286	—	83,325	—	91,050	—
Trial Court Revenues.....	303,071	—	311,000	—	—	—
Waters-Edge Election Fee.....	—	53,474	—	9,950	—	1,000
TOTALS	\$813,664	\$396,315	\$832,517	\$369,986	\$483,587	\$509,560

Schedule 13-D
STATE APPROPRIATIONS LIMIT
TRANSFERS FROM EXCLUDED FUNDS TO INCLUDED FUNDS
(In Thousands)

	<i>Actual 1993-94</i>		<i>Estimated 1994-95</i>		<i>Estimated 1995-96</i>	
	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>General Fund</i>	<i>Special Fund</i>
Transfers per Control Section 13.50, Budget Act of 1993	\$20,007	-	-	-	-	-
Transfers per Control Section 13.60, Budget Act of 1993	1,995	-	-	-	-	-
Transfers per Control Section 13.70, Budget Act of 1993	247	-	-	-	-	-
Transfers per Control Section 13.80, Budget Act of 1993	14,241	-	-	-	-	-
Transfers per Control Section 13.81, Budget Act of 1993	3,534	-	-	-	-	-
Hazardous Waste Control Account to Hazardous Substance Account (Chapter 852, Statutes of 1992)	-	\$5,000	-	\$5,000	-	\$5,000
Emergency Telephone Number Account to General Fund (Item 1760-021-022, Budget Act of 1993)	15,000	-	-	-	-	-
Environmental License Plate Fund to Motor Vehicle Account, State Transportation Fund (Public Resources Code Section 21191(B))	-	5,209	-	4,453	-	4,354
Energy Resources Surcharge Fund to Energy Resources Programs Account (Revenue and Tax Code 40031)	-	40,691	-	41,912	-	42,750
Energy and Resource Fund to General Fund (Chapter 908, Statutes of 1980)	573	-	\$310	-	\$325	-
Satellite Wagering Account to General Fund (Item 8570-121- 192, Budget Act of 1994)	-	-	2,700	-	-	-
Insurance Fund to General Fund (Item 2290-011-0217, Bud- get Act of 1994)	-	-	7,221	-	-	-
Insurance Fund to Motor Vehicle Account (Chapter 1298, Statutes of 1994)	-	-	-	1,027	-	2,054
Business Fees Fund to General Fund (Chapter 1059, Statutes of 1991)	4,797	-	4,211	-	2,624	-
Off Highway Vehicles Fund to General Fund (Item 3790-012- 263, Budget Act of 1993)	3,284	-	-	-	-	-
Emergency Medical Services Personnel Fund to General Fund (Item 4120-011-312, Budget Act of 1993)	326	-	-	-	-	-
Athletic Commission Fund to General Fund (Chapter 150, Statutes of 1994)	-	-	50	-	-	-
Dealers' Record of Sale Account to General Fund (Item 0820-011-460, Budget Act of 1993)	1,500	-	-	-	-	-
Boxer's Neurological Examination Account to General Fund (Chapter 150, Statutes of 1994)	-	-	240	-	-	-
TOTALS	<u>\$65,504</u>	<u>\$50,900</u>	<u>\$14,732</u>	<u>\$52,392</u>	<u>\$2,949</u>	<u>\$54,158</u>

Schedule 13-E
STATE APPROPRIATIONS LIMIT
EXCLUDED APPROPRIATIONS
(In Millions)

<i>Budget</i>	<i>Fund</i>	<i>Actual 1993-94</i>	<i>Estimated 1994-95</i>	<i>Estimated 1995-96</i>
DEBT SERVICE:				
9600 Bond Interest Redemption				
(9600-510-001)	General	\$1,407	\$1,883	\$1,995
(9590-501-001)	General	1	5	5
3960 Chapter 376/84 Toxics				
(3960-535-484)	Special	6	5	5
Lease-Revenue Bonds (Capital Outlay)	General	238	307	406
TOTAL, DEBT SERVICE		\$1,652	\$2,200	\$2,411
CAPITAL OUTLAY:				
Various	General	—	\$17	\$74
Various	Special	\$31	35	45
TOTAL, CAPITAL OUTLAY		\$31	\$52	\$119
SUBVENTIONS:				
6100 K-12 Apportionments				
(6100-601-001)	General	\$7,826	\$8,165	\$8,904
6100 County Offices				
(6100-602-001)	General	108	111	142
6870 Community Colleges				
(6870-101-001)	General	776	988	1,053
SUBVENTIONS—EDUCATION		\$8,710	\$9,264	\$10,099
5195 State-Local Realignment				
Vehicle License Fees	Special	\$717	\$747	\$755
9100 Tax Relief				
(9100-101-001)	General	422	431	439
Renter's Tax Credit	General	31	—	—
9210 Local Government Financing				
(9210-103-001)	General	1	2	3
(9210-603-001)	General	2	2	1
9350 Shared Revenues				
(9430-640-064)	Special	2,203	2,122	2,163
SUBVENTIONS—OTHER		\$3,376	\$3,304	\$3,361
MANDATES:				
6100 K-12 Desegregation				
(6100-114-001)	General	\$415	\$421	\$415
(6110-115-001)	General	46	50	49
6100 K-12 Medicare	General	45	45	45
6300 Contribution to STRS				
(6300-602-001)	General	518	518	530
6870 Community Colleges Medicare	General	5	5	5
Federal (Various Health and Welfare)	General	1,204	1,288	1,039
TOTAL, MANDATES		\$2,233	\$2,327	\$2,083
PROPOSITION 111:				
Motor Vehicle Fuel Tax: Gasoline	Special	\$1,124	\$1,174	\$1,183
Motor Vehicle Fuel Tax: Diesel	Special	134	171	180
Weight Fee Revenue	Special	133	163	191
TOTAL PROPOSITION 111		\$1,391	\$1,508	\$1,554
TOTAL EXCLUSIONS:		\$17,393	\$18,655	\$19,627
<i>General Fund</i>		<i>\$13,045</i>	<i>\$14,238</i>	<i>\$15,105</i>
<i>Special Funds</i>		<i>\$4,348</i>	<i>\$4,417</i>	<i>\$4,522</i>

